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BY

MAURICE MILLIOUD

With Introduction by Sir Frederick Pollock

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THE RULING CASTE AND FRENZIED TRADE IN GERMANY

AUTHORIZED TRANSLATION

THE RULING CASTE & FRENZIED TRADE IN GERMANY

BY

MAURICE MILLIOUD

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INTRODUCTION

SOME months ago it was my good fortune to bring M. Millioud's work to the notice of English readers by a review in the *Westminster Gazette;* and I am now happy to contribute these words of introduction to the translation, which I hope will make it still more widely known. It merits, in my opinion, a high place among economic studies of the conditions leading to the present war, and that opinion has been quite lately confirmed by the authority of an eminent French historian, M. Jacques Flach, who gives an account of the book in the proceedings of the Academy of Moral and Political Sciences (*Séances et Travaux*, November, 1915). M. Millioud's points are no less original than important. He considers, in the main, three questions. We have to account for the national sentiment which supports the German Government in

its huge adventure. For, if we ever thought the war was not generally approved in Germany, we cannot think so now. Then we must consider the aims and policy of German expansion in the years before the war. There is much still to be learnt on this head. Some of the shrewder students of affairs knew the details, but the public did not. Last comes the question which M. Millioud thinks the hardest for an impartial observer. What made the German ruling classes decide that their ends could not be attained without war ? A great military establishment costs much, but actual war costs far more. No Power was willing to fight Germany without the gravest cause, and, in spite of some diplomatic reverses by no means of the first magnitude, Germany held the primacy among Continental nations both in public affairs and in trade.

This is not a war of militarism alone. Even if the Prussian Junkers govern Prussia, it is idle to suppose that they control the whole German Empire. It is doubtful, moreover, whether even Prussian Junkers really like war for its own sake. Certainly

German business men do not. Now the modern governing class of Germany is compounded of the old military and official staffs and the men who have risen to wealth since the war of 1870. Germany had been in the main a rather poor agricultural country, and industry of other kinds languished for want of capital. Victory brought capital, commerce and speculation expanded by leaps and bounds, and the aristocracy was more than willing to share in the new prosperity. Militarism learnt to look for speedy gain, and commerce became imbued with the spirit of military ambition. The Pan-German formula, which might otherwise have been a mere literary curiosity, was produced at the right moment to serve as a watchword for this combination; a combination which, within reasonable bounds of respect for other folks' rights, would have been quite legitimate, but which, in fact, proved an unholy alliance for predatory conquest. We say conquest not merely with reference to the prospect of a European war to be waged for the greater glory and profit of Germany—if necessary. There

may be plausible arguments for regarding such a war as long predetermined, with only a margin of a few years for the date to be fixed ; I do not think them convincing. But in any case the Germans were unconsciously making war, from their point of view, inevitable. They went forth to trade, but they traded in the spirit of warfare, as if no bargain could be good in which the other party is not visibly worsted. Their ambition was nothing less than to make Germany the economic as well as the political centre of gravity of Europe : so says Professor Ostwald of Leipzig, as cited by M. Millioud ; condescending, nevertheless, to allow the inferior nations the use of their contemptible arts and languages.

Adventurers who go forth in this temper in time of peace cannot be expected to be scrupulous about their means. German influence and management were, if not exactly smuggled, adroitly conveyed into foreign business concerns all over the world, as often as occasion served, with the result of widespread preference for German products, amounting

sometimes to artificial monopolies of things which Germany had no superior natural faculties for producing. Competition was discouraged by bold and systematic dumping, of which M. Millioud gives some striking examples. Customers were encouraged by long credit, while the German producers were financed by German bankers, manipulating inflated paper capital in the expectation, apparently, of making all good out of future profits.

But what if the profits did not come ? Germany's position looked brilliant a year or two before the war, in commerce as well as in European politics ; M. Millioud maintains, however, that it was far from being all well with German trade, and the leading men of business knew it. This is quite consistent with the fact that some of the financial and industrial magnates, such as Herr Ballin, it is said on good authority, were shocked when their Government made the plunge into war. Others, whose own immediate prospect, maybe, was more precarious, found the gamble tempting, or more tolerable than

the risk of a crash. Signs of resentment against the methods of German push were increasing; commercial treaties were about to fall in, and, having been obtained on terms highly favourable for Germany at moments when pressure could be applied, were not likely to be willingly renewed; in short, the great commercial expansion began to be revealed as economically unsound over-production bolstered up by political bluff, and the whole scheme of aggrandisement seemed about to recoil disastrously on its promoters. Hence, in M. Millioud's judgment, the traders opposed no solid resistance to the decision of the General Staff that, so far as military reasons were concerned, the auspicious moment for war had come. It may be thought, indeed, that the result of the Balkan wars was quite as much an economic check to Germany as a political rebuff to Austria, and that this was the more important factor in determining German action.

Some readers may think that M. Millioud has rated the economical elements of the problem too

high, and the political and personal ones too low. For my part I think his line of argument sound on its own footing; and criticism will hardly be profitable without fuller information than we can expect for some time to come. It is much to have thrown light even on one side of the deplorable illusions which gave birth to the war of 1914. Finally, let us not forget that this judgment is the judgment of a neutral, and that whatever censure is conveyed is in the facts much more than in his comments.

FREDERICK POLLOCK.

PREFACE

As soon as we neutrals had recovered from the first shock caused by the outbreak of hostilities, we asked ourselves what useful purpose we might serve.

It seemed our duty to do our utmost to relieve the distressed—but that is not enough. Beyond the claims of charity there is a duty to truth and justice. The call of the heart should never blind one to one's duty.

It is our part as neutrals to join in a minute investigation of the history of the crisis, and to bring to the task, not cold indifference, but impartial judgment, exact analysis and scientific precision. Our duty is to see clearly.

Those directly responsible for this war—the leaders—have incurred terrible responsibilities ; yet it would be childish to attribute all blame to them, for behind those who actually brought it about are all those others who desired it, prepared for it and rendered it inevitable.

Who are they ? How did they spring up ? What were the steps that they took ?

To answer these questions we must seek to know of what nature are the so-called "ruling classes." We must endeavour to see into their minds and to understand their feelings, their thoughts and their aims. By so doing alone shall we arrive at an understanding of the famous doctrine of Pan-Germanism ; a doctrine which had, before the war, so firmly seized the imagination of the German people, and which seemed so threatening once war had broken out.

This doctrine is the mental expression of the ambition of a caste which, if it had not invented this particular formula, would have produced some other, religious perhaps, or political or social ; or would have contented itself, maybe, with some less adroit pretext.

It was simpler, however, to make play with those mental aspirations which the professors had so painstakingly moulded to its use by means of a fantastic interpretation of history, biology, ethnography and moral philosophy. I have attempted to classify the main arguments with which they adorned that universally popular idea : the superiority of the German race. It is unnecessary at this date to analyse them very deeply ; but what is important is to understand how this doctrine has to all appearances, notwithstanding the opposition of the socialists, in spite of the dissimilarity

between the various states of the Empire, inspired seventy million people.

But has it inspired them ? Is there not something else behind it all ?

Pan-Germanism is the doctrine of a caste, and this caste, in effect, dominates the Empire. The people have not been carried away by the mere doctrine, but as the result of a drilling which has been carried on for several hundred years, and has created in them certain instincts, perhaps ineffaceable ; and strengthened others.

One is too apt to forget that Germany, unlike France, has suffered no revolution in modern times.

The turning-point in her history was not the year 1789, but 1525, and that is why I found I had to go back to the Reformation in order to account for this strange contradiction : the unanimity with which the German people threw themselves into the most formidable of adventures at the command of a caste which but two years before—at the last elections—it had consigned to a minority.

The composition of the governing class, the chief articles in the code of its ambition, the reasons for its power over the masses, are the subjects of the study entitled : "To an understanding of the ideology of caste."

The second, entitled : "Germany's aims at conquest by trade and by war," aims at explaining

the method of action of this caste. The beginnings of this conquest, which has to-day broken out into open war, originated in different guise twenty-five years ago.

It was an attempt to inflict economic slavery. This will be more clearly seen as records accumulate and the machinery of contemporary German life becomes better understood.

The present war with its accompaniment of devastation, looting and outrages: of extortion, summary executions and deportations, is but the natural consequence of what was going on in time of peace under the guise of friendly relations. We ask ourselves, therefore, "Was the war inevitable?" Assuredly no. One does not necessarily, in climbing to the summit of a mountain, let loose an avalanche. That depends on the path chosen.

If financial, industrial and commercial competition is a species of warfare, it is, at any rate, war in a very modified form. It does not of necessity set the nations at each other's throats; on the contrary, in the opinion of many of the greatest thinkers, industrial and commercial expansion, among modern nations, ought to encourage peace between them, by increasing international dealings, by creating common interests, and by abolishing ignorance and prejudice.

There is competition and competition.

We should be very mistaken in generalising and claiming that economic progress has of necessity brought about rivalry between nations, and armed conflict. In some cases it may be so—not in all, certainly it is no necessary consequence.

In the present case all the facts go to prove it: those who declared war had premeditated war. They visaged war as a final economic operation, destined to perfect and bring all their plans to ultimate fruition.

If they have been brought to bay, it is not by reason of a war forced on them, but as the direct consequence of their own schemings.

What I have attempted is to reconstruct the chain of causes and effects.[1]

Let economists, historians, and students of social science turn their attention without delay to research on the same lines. By collecting and sifting the results of wide research, by bringing light, more light, light all the time to bear, they will be really working together to bring about that condition of commercial morality, the principles of which are not yet defined, still less established between nations, but without which—we see only too well—war may at any moment bring to naught the labours of

[1] In this book I have collected together and expanded studies which appeared in *La Bibliothèque Universelle et Revue Suisse* of November, 1914, and March and April, 1915.

peace, for the reason that peace is itself but the shamefaced masque of war.

Finally, I would ask my readers to believe that I have written these pages without being influenced by prejudice, with the one desire to get at the facts, and an earnest hope that I may have been able to put these facts clearly before unprejudiced people.

MAURICE MILLIOUD.

I

TO AN UNDERSTANDING OF THE IDEOLOGY OF CASTE

THE RULING CASTE AND FRENZIED TRADE IN GERMANY

I

TO AN UNDERSTANDING OF THE IDEOLOGY OF CASTE

Humanitarians, even those sunk deepest in their dreams, acknowledge with astonishment the evidence of the fact that a European war was possible, since we are in the midst of it ; even a world war, for peoples from all the continents are engaged in it. Millions of men, drawn from all the corners of the world, are lined up on battle fronts of 500—no, more than 1500 miles. We see before us such a shifting and displacement of masses of human beings as can only be compared to the vast geological upheavals of prehistoric times.

Then the world was in the making. Is it a new Europe, are they new social conditions, a new form of civilisation, which are being moulded through such a vast disintegration as the mind can scarcely grasp ?

How much of the old will be built up again, and to whose lot will it fall to rebuild on such vast ruins? Well may we wish to set off against this lurid sight that we see, the certainty of future progress; to turn our eyes away for a moment from the smoke rolling upward from flaming cities, to shut our ears to the roar of exploding shells, to forget the war and its hideous accompaniment of plunder, enslavement, killing; of stretchers laden with the mangled and dead, trenches reeking with blood and resounding with cries of agony, the destruction of workshops, the ruin of farm lands, shattered hearths where mourning sits face to face with misery; well may we long that a ray of hope may find its way through the shattered walls, that the promise of liberty and justice may blossom forth over the ruins of this past world. Yet the hope is so slight and intangible that one hardly dares to entertain it.

We can, however, at least try to understand that which we are in no position to prevent. This war was not inevitable, but it had long been foreseen.

What forces were they which affected so many nations? I want to obtain a clear understanding of the facts before fixing responsibilities. Those who loosed the dogs of war—no matter which nation we consider—all have the unanimous support of their own public opinion; and that is perhaps the most surprising thing of all, at a time when business,

social and moral interests are so interwoven from one side of our globe to the other, that even the victor will suffer acutely by the ruin of the vanquished.

What theories this hurricane strips from the tree of science, and sweeps up like dead leaves !

How often were we told that the development of trade and industry would without fail be the beginning of an epoch of peaceful competition, the end of ordeal by battle, an era when arbitration would take the place of war ? Happy it is for Herbert Spencer that he has not lived through the days which opened in August, 1914, nor will see those still to come. In them he must have heard the death knell of his most cherished beliefs.

The nations at war proclaim that they were forced into it ; that is the least they can say. But the people follow them of their free will and with enthusiasm.

Whilst the people as yet scarce realises the vastness of the conflagration, it does not fail to see clearly what the immediate consequences will be. Is there in man some ancestral instinct—some atavistic savagery which reawakes at intervals—irresistible, the more brutal the longer it has been repressed ?

The governments responsible fixed the day and the hour ; they would not, could not have made war unless assured of national support. Public opinion supported them. Public opinion openly declared against peace in several other countries ; some as

yet are, thanks to the prudent guidance of those in power, still outside the conflict.

What is it that impels man to give up his leisure, to leave his business, his home, the safety of a regulated life, and makes him so eager to engage in the bloody conflict ?

This problem is capable of various solutions, for the reason that the circumstances differ with different nations.

Among the Russians, the French, the English and the Germans, there is the same will. They have not, it would seem, similar ideals.

My task is to enquire into the German frame of mind. It is one of singular interest by reason of the essential importance of understanding it, because it is so sharply defined, and because of the comparisons to which it leads and the thoughts which it suggests.

Many facts, easy of proof, and mainly of recent occurrence, help one to throw light upon it and are a guarantee against unsupported conjecture.

Caste is defined as a group of men, united by mutual interests.

The Brahmins of India, the feudal Nobility are instances of caste.

I use the word in a general sense—as meaning very much the same as " governing class," yet the word " caste " indicates something more definitely established and distinct. A governing class is not necessarily a caste. It becomes one when it isolates

itself, makes laws for itself, grants itself privileges, reserves definite distinctions for itself, and finally places itself above the rest of the people as though enjoying an independent existence within the nation.

The Governing Class may be a caste ; on the other hand it need not ; it may consist of a caste added to some other component, or to several others. It is easy to see the importance—in order to understand the evolution of a people—of knowing of what elements the governing class is composed.

Leading newspapers both in France and England have stated that Germany was led into war by a feudal and militarist caste ; and this theory has been upheld, in the countries of the Triple Entente, by capable men and even by men of standing in the diplomatic service. They claim that the object of the war should be, so far as the Entente powers are concerned, to destroy this mischievous caste, and restore to the German people its real natural life, to Germany her true spirit. Once emancipated from Militarism, which binds her and makes her a public danger, no doubt that she would gather herself together to go forward again with a new destiny in view, and would collaborate with all the free peoples in the peaceful work of civilisation.

Is it with political purpose that they have fancied themselves able to distinguish between the German people and its leaders ? Is it in order to shake her confidence and to gain that of neutral countries ; to

reassure the French, English and other socialists and anti-militarists ?

When people talk of shattering German Militarism, do they propose that Germany shall be reduced to impotence by reducing and putting a limit to her armaments as Napoleon did in the case of Prussia after the battle of Jena ? Is it only a question, in order to advance the democratic movement away there beyond the Rhine, of depriving the nobility and Military Commanders of power ?

Such are the questions which events alone may solve. It is not easy to see how a feudal military system can dominate in a huge Empire in which manufacture, commerce, trading in all its branches have become the chief preoccupation of seventy million people. It is impossible to believe that the Germans have been rushed—in spite of themselves —into a war of which they disapprove.

They are possessed with an intense enthusiasm, and the nation's approval of the adventure entered upon by the governing class is clear enough to make one anxious to arrive at an explanation of it. Here we have a new problem which makes the other more difficult still of solution.

It is worth while to quote in full an article which appeared in the *Vorwärts*, the organ of the German socialists, and led to the temporary suppression of that paper. It is an article showing singular fearlessness, for it admits that without any doubt the responsibility for the war rests with Germany.

I need not point out that the full meaning is to be read between the lines ; namely, that the capitalist class was the author of, and is to be blamed for, the war, and that the capitalist class is synonymous with middle class (*Bourgeoisie*)—in other words, that it is the upper middle class, the moneyed class, which is responsible for the bellicose Imperialism of recent years, and is the class of which the governing class in Prussia and the Empire consists.[1]

" The fact that Germany has, during the last ten years, enjoyed unparalleled commercial prosperity, has as a consequence, led, among the ranks of the capitalists, to a recrudescence of Imperialistic tendencies, which those who have been interested in doing so have not failed to proclaim all too clearly. Abroad this provoked suspicion, much discontent and a feeling of anxiety, at least in financial circles, the members of which, for their part, did all in their power to imbue the rest with their own alarm. The Chauvinists beyond the frontiers, would not, but for the following circumstance, have had as much success in their propaganda as they did. The working people of this nation so commercially prosperous, received, as it were, a present of the law aimed at Socialism, and when that law was rescinded, a regime of police control of a most irritating kind. Equal rights existed only on paper.

[1] I quote from the published translation in *La Guerre Sociale*.

"True, the state of things in Russia was still worse, but Russia is far away, and her interests are mainly in the Far East, though she is steadily getting into closer political touch with the Western World. The revolution of 1905, moreover, has shown that the governing classes were not free from anxiety.

"It seemed clear to foreigners, and to the German working people, that Germany is above all the country of Militarism and political oppression. Hence her difficulty in obtaining the sympathy of neutral nations.

"This also explains why, even among the working classes abroad, there have been regrettable outbursts of feeling. It is to be lamented, because the German peoples are held responsible—one and all—for the actions of a single class.

"Further, we have read in an Italian paper, that all Germans are brigands, and we have been able to verify the fact that an absurd fable has been put about to the effect that German troops advanced behind a living screen of old people and children.

"Our foreign comrades may rest assured that the working class in Germany still disapproves, as it always has, of a policy of conquest, and is determined to oppose, so far as circumstances permit, annexation of foreign territory.

"Our foreign comrades may rest assured that, though the German working classes fight for the defence of their fatherland, they will not lose sight

of the fact that their interests are identical with those of the proletariat of other nations, which, like themselves, against their will, in spite of formal and repeated peace demonstrations, have been dragged into war and are doing their duty."

Is it Military Aristocracy or Bourgeois Capitalism that is responsible ? One cannot but exclude the supposition of an occasion seized at hazard by some one person, some freak on the part of the Chief of the State. Germany was ready. She had for long past seen war coming. More than once, notably at the time of Tangier and Agadir, she had threatened. A strong and noisy party clamoured for war. Whence came its influence and in whose interests was it working ?

Here we must look back over history. The ruling class in Germany is comprised in part of an aristocracy of birth, and in part of middle-class capitalists more or less recently ennobled.

The internal history of Germany since 1871, even indeed since 1866, is to be understood by observing the relations existing between these two classes, now friendly, now hostile ; by the opposition or the union of their forces, and not by any struggle between the ruling class and the masses of the people, for this struggle, which already is in France, and will soon be in England, a very serious matter, has in Germany been but a phenomenon of secondary importance ;

it has influenced neither the evolution of the national life, nor the decisions of the Government.

In Germany, as we know, the passing of the old regime did not take place all at once, as it did in France. After the revolution, after the French occupation of Germany, the aristocracy got back all its privileges. It has lost them bit by bit, but not as yet entirely ; only round about 1850 did the feudal system of land tenure come to an end.

Napoleon had hit the petty rulers hard, but from 1813 to 1815 the princely families strove with all their might to regain their independence. For the most part they were kept from being an active danger ; but their stubbornness was, until 1870, a serious obstacle to the unity of Germany, which was effected in spite of them, by fire and steel, as Bismarck said ; that is, by the wars of 1866 and 1870. Even so, every care was taken to humble them only to a point which was absolutely necessary, for it was the intention to maintain an hierarchy. What was desired was unity of all classes, from high to low, under a monarch, and not democratic unity controlled by the popular vote.

On the other hand, the *petite noblesse* had, dating back to 1820, formed a great combination, the "Adelskette," for the protection of their rights, and they could not be thrown over, because, in the first place, they had rendered the greatest services in the wars of independence. They had risen as one man and had sacrificed all for the national

cause ; they had conscripted the people and led them to victory.

In the second, because they were useful in keeping in check the power of the *grande noblesse*, whose strength they feared ; in short, they were a support to the throne against the ambition of the princes. A *grande noblesse* opposed to democracy, a *petite noblesse* opposed to a *grande noblesse*, both forming a class standing midway between the monarch and the nation, was the social order aimed at by those who worked to bring about the unity of Germany, and so well that each, shorn of its " rights," clung to its " privileges."

Treitschke, in his later teaching—say about 1890 —calls theirs the " political class." In the middle class, he says, there are wealth, learning, literature, and the arts : their share is a rich one. The aptitude of the upper class is for ruling, which is its proper purpose. For long, in fact, the upper class, alone or almost alone, occupied all the great administrative positions both in civil and military administration.

Bismarck was the very type of this class of man. He possessed its intellectual and moral virtues in their highest, but he evolved after 1871, and with him the caste to which he belonged, under pressure of circumstances. Bismarck was a " Junker," a Prussian squireen, a supporter of monarchy, individualist, country gentleman and militarist. Each of his characteristics is an attribute of the " caste "

frame of mind, in itself very interesting and not without nobility, but narrow and not sufficient for the director of a nation's affairs.

To Bismarck monarchy was the antithesis of parliamentary government. The characteristics of his mind were a fine contempt of rhetoric and even of open debate, and the firm belief that democracy only tends to window-show and commonplace.

Patriotism, conceived as essentially relating to the position of one man towards another, as, for instance, of one man, the subject, to another, his King ; and not of an anonymous person, the official, to an abstract idea, the State, the Republic, was in olden days expressed by " vassalage," a word which has gone out of use because, at the present day, it no longer has any meaning for us.

The Junker is an individualist—or rather he used to be. The centralisation of political and administrative business which the Jacobins have brought about in France horrifies him ; he sees in it only disorder ; he sees in it nothing but a mangled mass of individual men, crushed under a formula. At the present time, Germany, in accusing France of anarchy, means just that. Germany sees her as a huge hierarchy of liberties ; self-government of states within the nation, of provinces within the State, of communes within the province, of landowners within the commune.

Equality, to the Junker, is equality of rank,

equality of importance, equality of riches, equality of strength; but to him personal equality is a thing contrary to nature—an invention of a lot of professors which he holds in supreme contempt.

The Junker is agrarian and militarist, that is to say conservative and in favour of armed strength. As late as 1830 four-fifths of the people lived on the land, and the landlord ruled his tenants in the manner of the patriarchs. He has retained the conservatism of the landed classes, a lively feeling for power and the instincts of a soldier. He is not ambitious and has little taste for distant ventures. He is at once religious, warlike and a realist, broods over his ambitions, but does not look further than his hand can reach.

Bismarck was long the opponent of naval armaments, of colonial policy and of imperialism. Even in the case of his plans for social reform, such as sickness insurance, old-age pensions, which were concessions to modern opinion, he merely embodied them in his conception of the monarchical and patriarchal nature of the State, and copied Colbert in his orders, at an earlier date, with regard to naval policy. He would have gone so far as to introduce unemployment insurance, for, said he, no subject of the King ought to die of hunger.

Prussia owes her strength to the Junker—he made Prussia. Through him she has passed, since 1815, from "Polizeistaat" to "Kulturstaat." The one developed out of the other: instead of a state

watching over the people, it became a state supervising and meddling with the people's affairs, a state organising everything; state teaching of the young; state patronage of the church; agricultural reform and vast industrial and commercial undertakings all emanating from the state; the state not the outcome of the national will, but the very creator of the nation itself, the living and moving incarnation of the Hegelian "Idea," in other words, of the divine mind. In short, statism throughout the body politic.

Of all the German aristocracy, high-born Pomeranian or Brandenburger, it was the Prussian Junker who most closely represented this type. In the south liberal leanings, to use a general expression, and the recollection of the French Revolution, persisted further into the nineteenth century, but the unification of Germany was effected by military force and was contrary to the interests of liberalism.

After 1871—and already after Sadowa—the "Prussianisation" of Germany was the aim of domestic policy; and it would seem, if one looks up the political history, that Bismarck was on the point of being successful.

What was this "National Liberal" party on which he relied so long for support? It was the old liberal party, of advanced views, infected with democratic, even cosmopolitan ideas, keeping touch with the educated classes and university men who had made so much noise, with their pens and their

preachings, round about 1848 and even earlier still.

They had dreamed of a unity of German states as the outcome of the democratic freedom and the spiritual leadership of their country, now, in its wisdom, become the heir, in Europe, of the French Revolution.

Under Bismarck's influence they sacrificed their liberal dreams to their dreams of unity and nationality, and secured to the Chancellor the support of the upper middle class. That was indeed the Prussianising of Germany. Yet the German Imperialism of the present day would never have borne fruit under these conditions. It could not be expected of a monarchical state supported by a conservative, individualistic, military and agrarian caste ; such a state tends to be non-progressive. Well, what happened ? An event of capital importance with which all the world is acquainted, but of which we can only in part see the consequences, namely, the complete transformation of Germany from an agricultural to an industrial country.

This phenomenon dates back to before the nineteenth century. In 1848 the change was already appreciable. Since 1866, and particularly since 1871, it has been the dominant factor in the social development of the Empire. Here, indeed, we have revolution ; a veritable miracle which has turned habits of life upside down throughout the length and

breadth of Germany ; a wonderful story which may be followed in the writings of the economists.[1]

At the end of the wars of independence four out of every five Germans lived in the country districts, two out of every three were occupied on the land. In 1895 agriculture was represented by only 35·7% of the population. That portion which lives by industrial and commercial occupation grows steadily: in 1895 it was 50·6%.

The growth of manufacture and trade introduces a new class, that of the capitalist.

At first it seemed as though this would lead to the ousting of the nobility. For instance, whilst under the older order of things no middle-class man could acquire landed estates, yet, towards 1880, we find that in East Prussia alone 7086 out of 11,065 belonged to commoners.

Money alone can have procured them. Worldly wealth took the place of lineage. To-day five members of the Prussian ministry, or a little more than a third, strip them of their titles, are of the middle class.

The new dominant class ousted the old in two ways, by despoiling it of its clientele, and by acquiring considerable influence in the state. The weight of a class in the social scale may be expressed as the com-

[1] See, among others: Sombart, *Der moderne Kapitalismus ;* Lamprecht, *Zur Jungsten deutschen Vergangerheit ;* Lichtenberger has summed up the matter remarkably well in *The Evolution of Modern Germany*, London, Constable and Co.

bination of methods at its disposal by reason of numbers, personal influence, wealth and the importance of the interests which it stands for.

The clientele of the country nobleman were mainly peasants whose numbers have steadily decreased. The attractions of industrial and commercial life have brought about a veritable emigration to the factories and the towns. Statistics have shown this change in progress for many years ; economists and sociologists have called attention to it, but no remedy has been found. To-day, although there has of late been less emigration, Germany lacks men to cultivate her crops, and is in the position of having to import agricultural labour and even cereal crops. She no longer grows sufficient food-stuffs for her population.

Further, the peasant who has remained on the soil is no longer a bondman, and agriculture itself has, through specialisation, become industrialised. There is a story told of a peasant woman who declared that she had no time to do her own washing, and therefore sent it to the steam laundry at Carlsruhe. It is not merely an economic transformation, but an ethical development.

The farmer who no longer works his land to produce food-stuffs for himself, but in order to sell them, and who has to live by what he sells, strives to produce all he can ; he hires foreign labour, and gets all he can out of the land. There is no longer the close association between employer and employed which

existed of old. Thus the landowner is dragged into the wheels of the machinery of capitalism.

As to the " weight " of the new class, it has grown prodigiously in the years following the war of 1870, thanks to the millions that the Empire has been able to invest in its industries, and with which it has endowed its trade and its mercantile marine, and has linked up the network of its high roads, its canals, and its railways.

The fact that capital tends to accumulate in certain hands has been strikingly evidenced. During the notable years 1871–1874, which the Germans call " Gründerjahre " or days of foundation, vast industrial and commercial undertakings came into being and so flourished that it seemed as if nothing could stop them. A director of the Deutsche Bank, or the Dresdener Bank, the director of a Transatlantic Shipping line such as the Hamburg-Amerika, or the board of some electrical manufacturing combine, had far more influence in councils of state than had a baron, a count, or petty prince of one of the mediatised states.

What was aristocracy to do ? Fight with desperation ? Well, at first it did. For some time, Bismarck, himself an agrarian, sided with it, but he had no scruples about setting up paper mills on his property at Varzin. The Emperor himself is credited with owning porcelain factories. Some of the titled classes had long been endeavouring to adapt themselves to the new conditions, but did not readily do

so, and their efforts frequently ended in bankruptcy. Freytag, in what is perhaps his masterpiece, has described the first steps in this social change.[1]

A large proportion of the upper classes gave in, fell into the hands of financiers, money-lenders, exploiters of agricultural undertakings, or sold its lands and sought refuge in the army or in the civil service ; the rest struggled on as best it could.

Just as there is antagonism between those whose traditions are of the Church and conservative, and those who are for free thought and cosmopolitanism, so their interests were opposed to those of the capitalists. The landowners claimed a toll upon agricultural produce in order to level up the value of their wares. The manufacturing classes wanted living to be cheap in order to keep wages down, so that they might compete in foreign markets. One can recall the temper with which Bismarck was assailed, and the vehement opposition he met with, when his colonial and tariff policy obliged him to incline towards the party representing manufacture and trade. The great Chancellor went over altogether in 1879, and was almost regarded as a traitor.

Yet he had seen clearly. By equalising opposing forces, by giving protective tariffs to this one and that, and by making up to one party for advantages given to the other, he succeeded in reconciling them.

The power of Germany is the outcome of this reconciliation. The middle class has from time to time

[1] Gustav Freytag, *Soll und Haben*, 1885.

sulkily opposed votes of credit for the Army, but has always passed them. Militarism, which is the mainstay of the aristocracy, has been placed at the disposal of the ambitious capitalist through the prestige of armed force, by raising ambitions and by inspiring fear, more than once by nothing short of intimidation the army has become the means of achieving economic victory. Further combinations, other mutual understandings, have been brought about which have made modern Germany not only unlike other nations but unique. In her we have an instance of the psychology of the crowd which is of the greatest interest. To go into all its details in the endeavour to explain it would be a lengthy matter. The blending of aristocratic and military leanings with those of commerce and plutocracy ; acquiescence in being police controlled ; willingness to live by the rules of " Kulturstaat," though retaining individual initiative and the freedom of the capitalist trader ; methodical conduct of business combined with a taste for speculation ; all that goes to the making of German Imperialism as distinct from any other, by reason that to a definite objective, namely, economic conquest, are added less defined ones, those in which the aristocratic class delights, namely, love of lording it over others, love of display and of demonstrating to itself its own superiority.

Moreover, economic conquest was an urgent necessity for Germany. Become one vast manufacturing town, she no longer can feed herself.

Since 1885 the value of her imports has exceeded her exports. In 1905 she bought to the value of £69,000,000 more than she sent abroad.

> " Economists have estimated that if she were to grow food-stuffs and raw materials of which she has need to feed her people and keep her machinery employed upon soil of her own, she would need a territory at least double, if not treble the area of the Empire itself, and that without taking into account the produce of tropical countries, such as spices, coffee, or cotton, which her geographical position renders it impossible for her to produce."[1]

What a temptation to make use of a military power before which the world has trembled for fifty years, if not to " double or increase by three times the area of the Empire," at least to round it off and add to it some fine new colonies already reclaimed by other nations !

Whence, then, does Germany obtain the £69,000,000 of which she is short—good year or bad—with which to balance her account ? It is made up by her freight charges and by interest on foreign investments. It is necessary to her, therefore, that her foreign trade should increase and that she should compete successfully with other countries. She must at all costs open up markets in which to sell her manufactures that she may buy food-stuffs of

[1] Lichtenberger, op. cit., p. 52.

which she no longer grows a sufficient quantity for her needs. The alternative is famine.

Let us now consider what has been the effect on the public mind, and how the interaction of all these influences and the results of the economic situation have been reduced to a formula. This is a matter of no small importance, for mankind always claims to be actuated by reason, and indeed is, but rarely with knowledge of its source or meaning.

The idea of Imperialism would not, without some appeal to the mind, have taken a hold among all ranks and classes of society. A passion for commercial supremacy had not taken possession of all Germany. The professional middle class, the corps of officers, the professors, the clergy, were out of sympathy with it. It was indirectly that they were won over. It is not every one who looks upon his native land with the eyes of an oligarch of high finance. A movement has force when it appeals to the instincts, when it awakens feelings, often diverse enough, and blends them with a semblance of logical reasoning. It is not essential, but it is helpful to clothe it in the language of the day. In mediæval times it was the language of religion ; starting with the seventeenth century, it was that of metaphysics ; in our day, it is that of science adorned with Greek nomenclature.

Few of the German systems of philosophy of the second half of the nineteenth century have attained

any high position. They are the outcome of creditable scholarship, wrought by well-read men, of whom some, like Wundt, are accepted authorities ; without the power either to master their subject or convince their readers. They seem out of place in their century. Not to them, not to Eucken, with his happy knack of popular appeal, not to Windelbund, nor Ostwald did the educated public look to be taught how to think.

In order to satisfy the need for something to direct their thoughts, which need was felt in spite of everything, they formed associations—set up churches—some to God, others not : as, for instance, one of some note, the " Monistenbund " where Haeckel preached the doctrine of materialism, dressed up in a sort of pantheistic biology. But the light of the real genius, the man of two generations before, Neitzsche, shone out from beyond all associations and schools of thought. That his thought has been misinterpreted there is no denying. This eagle who could look into the face of the sun, was presented to the young in every philosophical aspect which might forward a union between the industrial and the military classes.

Nietzsche had depicted as in words of fire the return of the heroic age. He saw his " Superman " as an ardent spirit, plunged in sorrow, contemplating with calmness the tragedy of life, by individual effort overcoming his own and the weakness of mankind, by unfaltering determination rising ever higher. The

Germans twisted his teaching about until he became the apostle of brute force, something in the nature of a Messiah of the struggle for existence. But they had soon done with him, for they unearthed Gobineau. He also, who, if no genius, was at least not wanting in intelligence, would have been surprised, and hardly flattered with the rôle he was made to play. The dolicocephalic blond type of man, whose praises he had sung, was not quite the one we are concerned with, if we may judge by his writings. Still, he had proclaimed the pre-eminence of the German races.

His doctrine was the nucleus around which a whole number of doctrines grew. Theories were drawn from very varied sources, with which the link is not at all clear when studied logically, but which is at once obvious, on the other hand, if one looks not for proof but only for what one wishes to prove; and this latter was to be found in the need to justify a militarist and commercial form of Imperialism, born, as we have seen, of calculated intention and essentially practical motives.

I by no means pretend that the whole thing was thought out beforehand, nor that naturalists, economists, historians, sociologists and lecturers were set to work on a definite plan to build up an Imperialist philosophy for the use of the adult and commonplace men of a dolicocephalic blond race. More than one coincidence may, however, be noted. The ground was admirably prepared for them by the existence of a commercial and military class. The

promoters of the doctrine lived in an atmosphere of their own, their character was moulded—or distorted—by it; their business was to accumulate facts, invent arguments and work out schemes for adapting science, history and philosophy to the needs of this fierce ambition for leadership, which was the common characteristic of Germany, and which has been the link uniting the old and the new ruling class.

To prove that this is so, it is only necessary to read the Pan-Germans one by one, commencing with the most straightforward and going on to the more involved.

The dominating idea is always the same. It leads back in every case to an ardent desire of conquest, and it is quite easy to see the work superimposed on the basic groundwork of men of higher attainments, to note all the means employed to disguise, to adorn and to embellish it.

Dates matter little, but at one end of the scale we may place the work of the Prussian General Bernhardi,[1] and at the other the fire-eating rantings of that most ardent of Pan-Germans, convert, turncoat, Houston Stewart Chamberlain.[2]

The German military spirit is distinguished by a vigorous directness and frankness which critics out of sympathy with it have sometimes characterised

[1] General Friedrich von Bernhardi, *Germany and the Next War.* (Arnold.)

[2] H. S. Chamberlain, *The Foundations of the Nineteenth Century.* (Lane.)

as brutal. There is no mistaking what Bernhardi, who is recognised as one of the best writers on military matters in Germany to-day, believes. To him war is not only a law of nature, but a necessary means to the advancement of civilisation. War is good because it has a reforming influence. In measuring swords, nations—living things as they are—prove their worth, and through victory testify to their rightful claims; for it is only just that the greater should dominate the lesser, and the token of pre-eminence is to be found in superior strength. Germany has the strength. Moreover, it is vital that she should acquire new markets for her trade and new lands for her seventy millions of population. Well, what lands? We are not told. With a balance of power in Europe no such acquisition is possible. To gain her ends, Germany must predominate in Europe. German expansion means a predominant Germany, and the necessary preliminary to this is war.

It means war first with France and then inevitably with England. On France will fall the blame, since they nourish thoughts of "revanche," and on the English because their maritime supremacy is a menace to the liberty of the world; so that, in a European war Germany will stand for liberty, for the rights of man and for civilisation.

The main idea, that of conquest and hegemony, is, as we have shown, obscured by various subterfuges: punishment of the French, the ending of England's

acquisitiveness, Germany's position as the champion of liberty throughout the world.

General von Bernhardi states the case with soldierly straightforwardness; the historians, the moralists, the ethnographers and sociologists deck it out with many further embellishments which may all be found—I cannot say methodically displayed, but anyhow heaped up one upon another—in Mr. Chamberlain's colossal publication. At least, nearly all, for there are two that I have not found there, whilst other writers twist and turn them with infinite variety; they are the law of natural selection and the survival of the fittest. Perhaps these are one and the same thing in theory, but in practice they differ.

Think of the Darwinian principle applied to all the works of man. Darwin, in speaking of the survival of the fittest, did not mean by fittest the most warlike, the one with the longest fangs. The Germans, however, have restricted his theory whilst extending its compass when applying it to human affairs, and teaching it abroad among the people.

War for war's sake, war from the point of view of one of man's normal activities, who in making war is only obeying one of the common laws of nature; such a point of view outdoes General von Bernhardi; or, rather, if you will, it is the same idea as his, but based on biology, dressed up to look like science and propped up by every kind of argument to be drawn from botany and zoology.

Survival of the fittest is perhaps the most popular

item in the Pan-German code. There is nothing in it which might not have been better supported by quoting Nietzsche. Indeed Fouillée had already expressed the view in his *Idée Moderne des Droits* that the French incline to base their ideas of right on common sense, the English on profit, and the Germans on might of arms.

Right is often doubtless nothing more than a fact established by tradition, an act of violence long since acknowledged, but it is one thing to acknowledge that right is a sequel to might, and another to pretend that might is right.

What can one think of a people which looks upon armed force not as a means to an end, but as an end in itself, and sets it up as its ideal ?

How often have we not seen the army, the professors, the people leap up with enthusiasm when the Emperor has, so to speak, shaken the mailed fist ? Imbued as we have been with humanitarian doctrines which have grown up in Western Europe during the nineteenth century, we are astounded to find how during the same period the very opposite, the belief in " the will to power," has sunk into the minds of the Germans.

With vigorous outspokenness Bernhardi has declared that the next war—the one which to-day confirms his word—would embrace all Europe, that it would be war to the bitter end, that neither international law nor Hague conventions would be obeyed. That, in short, it would be, in his own

words, war to the knife. He did not exaggerate. His forecast throws an ominous light on the massacres at Aerschot, the sack of Louvain, deportation of non-combatants, the bombardment of Rheims Cathedral and the attempt on Notre Dame.

The creed of Might being a " lietmotiv " of Pan-Germanism, it is interesting to study the changes of key and flourishes with which it has been made attractive. What might have been guessed, and yet was not suspected, is that remarkable contempt for the weak into which worship of power has led the politicians and historians of Germany, which is to be seen in their heartless treatment of the smaller nations.

Turn to Mommsen, Niebuhr and Droysen and to Sybel, and in particular Treitschke, who was, dating from 1875, whether in the professorial chair at Berlin or in the Reichstag, the mouthpiece of the young university man. What do Holland, Belgium and Denmark matter ? and what would Switzerland matter once it were in Germany's interest to attack us ?

I have somewhere read that Ranke, a man of less narrow mind than the others, nevertheless urged on Bismarck the advisability of annexing Switzerland, but I cannot find the passage again.

The economists joined in with enthusiasm. Once might is mistaken for right, duty becomes synonymous with self-interest, and they were not slow to point out that the commercial interests of Germany

lay in seizing the harbours and shores of the North Sea. One of them, and not the least, von Halle, urged the commercial occupation of Holland; more, he called for a treaty to the effect that in the event of war Holland should cede her harbours to Germany, that being, in his view, the only condition under which Germany could put up with such nonsense (*unding*) as the possession of the mouths of the Rhine by other than Germans.

In his book on the recent history of Germany, Lamprecht takes pains to point out to the Dutch that their enemy is England.

After the manner of great ecclesiastics, the question of the absorption, and even the wiping off the map, of smaller states has become a common bond between the large body of obscure professors and the well-drilled holders of chairs in the universities.

Some of our own Swiss fellow-citizens were disgusted, when war broke out, at finding that some visitors, less self-controlled than others, would break out in ecstasies about the beauty of our country and declare out loud that it would soon be theirs, as they travelled on our railways, on our steamboats, on our tramcars, and as they sat in our restaurants. Theirs was but a vulgar echo of what was very generally being taught beyond the Rhine. The smaller nations have no rights. Why? Just because they are small.

The strong man shows his superiority by his very

strength, and progress demands, as civilisation requires, the triumph of the strong. The powerful nation will organise the world as it should be. Those who may resist will only, by so doing, show their inferiority. It is the part of the inferior to obey, and ethics demand that he should be compelled to do so.

Do not think that this second variation on the theme of brute force is an invention of my own. I neither exaggerate the words nor the ideas, indeed, if anything, I understate them.

One cannot but find this idea both worthy of study and intensely interesting if one traces it to its origin, and if, in comparing it with others, one recognises in it one of the typical foundations of the science of ideas, which is itself the expression of the frame of mind, the habits and the interests of a caste. This caste having come into being, and having got its irresistible powers through a mingling of the two governing classes, one can trace the rôle played by each, in the part scientific, part historical, part moral and even metaphysical dress in which the scholars have clothed it.

Would you like to know how an illustrious scholar, known among philosophers as a chemist and among chemists as a philosopher, nay, more, one of the leaders of the " Monistenbund," that great league of philosophers which has inherited the not very flourishing legacy of free thought, and which prides itself not only on its intellectual freedom,

but on its human kindness, sums it up ? And does the article recently contributed to the *Monistische Sonntagspredigten* read to you like a sermon—a Sunday address—which comes from the pen of no other than William Ostwald, the inspirer of youth, Ostwald the Leipzig professor—in short, Ostwald.

In it he speaks of such a peace as must be concluded :—

"If the various countries of Europe could not be brought to this idea of peace by popular consent, Germany, after this victorious campaign, will be in a position to enforce it. We ought only to conclude such a peace as will make European war impossible in future, and we must impose on our adversaries, who are not only similar to ourselves in the Christian sense, but also necessary to our plans, such terms that for fifty years peace may not be disturbed.

"In the first place, England, the greatest enemy to the peace of Europe, must be rendered incapable of doing harm, and that in a lasting manner, by putting an end once and for all to her hitherto uncontested naval supremacy. The foundation of her power, namely, her fleet, should be taken from her, or so reduced as to present no danger in the future. As to her army, we shall be so superior to her and our other neighbours that all of them will give up any pretence of maintaining an army at their own expense, and

will entrust to us the task of guarding against any danger from the East. Having made Germany the military centre of gravity of Europe, it will be no less necessary to make her the industrial centre. The recent happenings which have thrown light on the inferiority of the organisation of the Bank of England and the Bank of France, as compared with the German Reichsbank, have shown the necessity for despoiling London of the money market of Europe which it now is, and entrusting it to Germany. It would appear that Hamburg, which boasts men with the necessary qualifications, and which is well situated for the purpose, is indicated for this important position.

" . . . We do not seek to impose the German tongue, German thought, any more than German taste and German art on the rest of the world when victory is won. Apart from the practical difficulties that there would be in realising such an aim, it would be out of keeping with the spirit in which our Kultur has been developed. Nevertheless, following upon the predominance of '*Deutschtum*' in Europe, many of the obstacles which the other peoples have thrown in the way of 'Kultur' would disappear.

" . . . It will be possible again to proceed with scientific undertakings, to which the war has put a stop, which to-day seem at first sight to be held up for a long time, when the United States

of Europe, under German direction and with the German Emperor for president, have again taken up the tasks of civilisation and humanity."[1]

Does not this Ostwald put it clearly ? And what generosity he shows ! The conquered may retain their language, their thought, their taste, their art : even German art is not to be forced on them ! Is it, perhaps, from a desire to curtail the immense benefits that are to be theirs ? Instead of charity which is carried to the point of weakness, have we here a refined form of cruelty which is to withhold beauty in all its purity from them, and to plunge them deeper in blindness, like the damned, whose awful punishment consists in being denied the sight of God ? Or does Herr Ostwald, born in "*Deutschtum*," confirmed in the "Monistenbund," fed upon German literature, value at too low a price what has cost him too little, having comfortably surveyed the *chefs d'œuvres* of German art from the vantage point of his professor's chair at Leipzig ?

One often fails to value what one has obtained too easily. Others have tasted the bitterness of longing, hopes thwarted, the vivid impressions revealed to the novice. With no such semblance of detachment does Houston Stewart Chamberlain speak of German "Kultur." One can see that he

[1] Only lately Ostwald was making a pretence of pacific intentions and was urging France to disarm. Now we can see what was meant by peace talk coming from this lover of peace.

has had to study to win knowledge, and that having at length attained to it he has no intention of losing what he has acquired. The question of natural selection, the ethics of power, the judgment passed by history on the smaller nations, the mission to spread civilisation imposed upon all-powerful Germany by reason of her very might, her economic, scientific, artistic superiority, all leads up to the glorification of the man of German lineage, even to the point of its being his duty to rule the world, duty which gives him the feeling that he is a very Emperor, and before which he inclines his head with such fine modesty. *Tu, regere imperio populos.* . . .

The exaltation of the man of German race has been trumpeted by Houston Stewart Chamberlain with more effect than by Gobineau, who lingered over a dissertation about the Aryans; better even than by Nietzsche, who was wont to let fall hard words about the "blond beast," because in proclaiming it he makes more play with history, ethnology, psychology, sociology and metaphysics.

His book cannot be summarised; not so much by reason of its 1379 pages and two appendices, but because his thought is embedded throughout the text, and all that the world contains is also to be found in Mr. Chamberlain's book. It is the man of German race who made everything. Not the world indeed; he has only remodelled that in the past, but he will of a certainty remodel it again, and

there is so much in the nature of creation in the method of his remodelling that one may say that without him the Creator himself could not fail to be hampered in His work.

He has taken to himself, so far as it was worth taking, the heritage of Greece and Rome. He has disentangled from it the contributions of doubtful worth which a number of different peoples, the "ethnical chaos," had mixed with it under the Empire.

During the period from A.D. 1200 to 1800 he has founded, brought to fruition and on several occasions saved from destruction a new civilisation.

Italy, mother of our sciences and arts, is of German origin. The great architecture of the Middle Ages is German. True interpretation of Christianity, true conception of art, real social order, love of nature, knowledge of human nature, exploration of the world and of the soul, in a word, all the great luminous ideas are German. Everything is German, except perhaps just you, reader, and me; well, all the worse for you, all the worse for me.

After this book, the commercial success of which was prodigious, nothing really remained to be said. The German mind had appropriated to itself the universe; all that remained was for the German sword to complete the work. The sword has been drawn.

I have tried to describe the definitions, or rather

series of embellishments with which elementary themes, very simple in themselves, and in which the commercial, political and military appetites of the ruling class betray themselves, have been distorted under the disguise of biology, history, political economy, sociology and ethics. It would need a further critical analysis to show how the rest of science has been distorted to the same ends; strictness as regards methods employed, rigorous care in arriving at facts, clear reasoning, discretion as to generalisation, strict impartiality and freedom of bias in working out proofs, the scientific spirit, in a word, is not to be distorted in such a fashion without losing something of its dignity and its title to respect.

All this is not only to be wondered at, but is saddening for those who have been brought up with a feeling of respect for German science, and in particular admiration of her scientific method, even more than of her actual discoveries. Of a truth, from Liebig to Röntgen and Behring, from Kant to Wundt, Germany counts many noted discoverers, yet in the matter of originality and creative suggestiveness both France and Italy have always surpassed her. She has produced no Branly, no Marconi—she counts no Pasteur, no Poincaré among her men of science—she has no one like Carrel. Fewer lightning flashes were hers, but a more even and enduring distribution of light, solid practical achievements are what she has contributed

for so long that we had come to look instinctively to her.

And with what result? These scholars, these college professors, these men of iron feed us up with false anthropology, history garnished with falsehood and personal prejudice, a science of the state based upon disregard of facts.

Now, quite lately, we have seen these wise men combine under the leadership of their best known, to address to the "civilised" nations an appeal in which they claim that being men of learning, they are necessarily competent to pass judgment on things of which they know nothing, to deny the truth of facts with which they cannot be acquainted, to declare solemnly "that it is untrue that Germany has unlawfully violated the neutrality of Belgium"; and all the proof they can put forward, all the argument they can vouchsafe is, forsooth, their own word of honour! Do they mistake the century in which they live? Do they mistake us for the young French gentlemen who said to Monge: "Professor, give us your word of honour that this proposition is correct and we will not trouble you to prove it"?

To explain the part played by men of learning, by the professorial class and the universities in moulding the caste ideal which to-day prevails in Germany, it is necessary to tell the history of teaching in Germany, not as Lexis and Paulsen have written of it, but as it has developed under the shadow of educational institutions and between the covers of the

syllabus. I mean the history of influence over the minds of the young. Frederick the Great said: "First I seize what I can; thereafter I can always find some pedant to justify what I have done." Pedants or not, the teaching classes of all ranks are the very wheels of the state in Germany. They are there to mould not men but Germans; in other words, to fill young minds with national ideals. Those connected with the universities, in particular, are very much under the sway of the governing class, with which they continually seek closer alliance.

The authors of the misstatements which have been put about and of the most essentially Pan-German propaganda, von Bernhardi, Chamberlain, Reimer, Woltmann and so many others, do not, it is true, belong to this brotherhood; but their books made them famous, and they have received in consequence much attention, and have turned their success to very practical account.

The teachings of these people have penetrated even among the lower classes. The German receives a double education, that of the school and that of the barrack; the spirit of both is the same, and their influence, which has been directed since 1848 against liberalism and internationalism, has met with little but success, for it was directed on lines which easily enough awaken hereditary instincts to whose development the conditions were favourable. "*Latrocinia nullam havent infamiam*," wrote Cæsar

of the Germanii : love of pillage has not faded in them ; hope of profit is one of the influences which the prodigious commercial progress of Germany has most effectually promoted.

We all made a strange mistake—the same mistake as Jaurès, in seeing in the power of the German socialist electorate a counterweight to commercialism and militarism : in the first place, because the Reichstag counts for little ; it is far from having the influence of the French parliament or the English House of Commons ; in the second, because, for some years past, the German socialist party has to all intents and purposes abjured its tenets. It has become an industrialist party and therefore a nationalist party, and that under the ægis of the trade unions, which have rapidly grown in number and influence.

The socialist in theory fights the masters with a view to improving the condition of the working classes, but he is in complete accord with them in respect to keeping down competition and securing foreign markets. The hatred of the Germans for the English, a hatred which, in spite of their racial kinship, seems to all appearance a case of race antagonism, exists from no other cause ; so much so that as long ago as 1907 some of the best-informed people attributed the wave of war fever in Germany to popular sentiment, rather than to willingness for war on the part of the Government.

"It would perhaps be no exaggeration to say," wrote a former ambassador on August 15th, 1907, "that, if Germany were governed by a democracy, most serious things would have happened. It is, in fact, very strange to see the Government, and at its head the Emperor himself, obliged to curb the symptoms of unrest and anger which are to be noted not only in the press, but in the daily talk of the people. . . . Anything the Government may do nowadays to make an enemy of England or France is sure to be applauded by the crowd.

"It has no other origin than in the astounding awakening of ideas of Empire-building even among those least enamoured of war." [1]

Very strange, indeed more than strange, extraordinary, and in a sense not without grandeur; full, in any case, of suggestiveness and importance, is this wholesale assimilation of a people numbering seventy million souls, by an aristocratic, almost feudal ruling class, at once plutocratic and militarist.

Body and soul resigned to it, with almost religious faith, almost enthusiastic belief in it; Germany has won all from her own people that she may be victorious over others. She ventures all on a throw of the dice. Not for me is it to enquire whether she acts fairly towards them. The result will show whether she has been prompted by wisdom or folly.

[1] *La Revue*, August 15th, 1907, p. 426: quoted by Captain Andrillon in *L'Expansion de l'Allemagne*, Paris, 1914.

The fact is remarkable, not inexplicable altogether, but the explanation is not obvious. This spontaneous adhesion of " the people " and of opposing factions to the policy of the governing class is momentous indeed. The more one considers it the more astonishing it seems.

The declaration of war was acclaimed with enthusiasm by all. Not a protest was made, not a voice was raised against it, no public meeting took place to express disapproval of it.

Is the German people but a crowd without strength, without a will of its own, ignorant of where its interests lie, or incapable of lifting up its voice ?

Or was the German people carried away by one of those sudden impulses which turn men into brute beasts, eager only to throw themselves on their prey ?

Or again, had the dream of Pan-Germanism taken possession of the whole people ?

To the first question all who know Germany will answer in the negative. The German people is no mob following any leader, no herd of bleating sheep. Although it is not the ruler, it knows well how to make its voice heard. It is well informed, thoughtful, a great reader of newspapers, anxious to be instructed on all questions : it discusses matters quietly, and has an appreciation for facts. Organised into various political parties, into councils, professional associations ; criticising the chancellor, the ministers, even the Emperor, it had contributed four

and a half million votes to the socialist party at the last elections, and the socialists were wont to declare themselves, if not for peace at any price, at least for peace. Of popular disturbance, of strong irresistible pressure there was none. True, the German people as a whole is little given to human kindness. It worships strength and is fully persuaded, or rather it believes from the bottom of its heart that it is better to impose one's will than to come to terms, and that the decisive argument, in every discussion, is a blow from the shoulder.

At school, in the barracks, as I have said before, it has been nurtured on the victories of 1870, and in a pride of race to which it gives expression with an arrogance at once uncouth and foolish. But it is a very different thing to throw itself headlong into a war, for the masses, if bred up to a veneration for power, have no clear knowledge of where their interests lie.

They live, for the most part, by manufacture and trade ; war means a cessation of business, and those who have been the first to suffer are the small people who have no money saved up. How can they have wanted war ?

They did not want it. Their one idea was how to improve the conditions of life. A movement was on foot to bring about a debate on the subject of the commercial treaties, renewable in 1917. So Pan-Germanism had not, it would seem, infected the working classes. Yet it had deeply, through the propa-

ganda of retired soldiers' clubs, of some of the athletic associations and by means of the press. Sometimes France was blamed, sometimes Russia, but always and on every occasion England.

I do not deny the effective nature of the propaganda, but I do deny that the working classes had been won by it. The artisan and the peasant were occupied with the problem of how to earn a living, their minds were becoming more and more occupied with questions of wages and internal politics.[1]

It was partly to turn their thoughts from these matters that the agitation in favour of war was spread about.

Blondel, quoting Ludwig Stein, cites the typical case of how the German press suppressed all articles appearing in the English press which showed any friendly feeling towards Germany.

Is the German working class at war in spite of itself?

Again, no. As soon as war was declared, it was all for war, it rejoiced in it and threw itself into it heart and soul. It faced about at once. I recall the socialist congress held at Stuttgart at which Bebel explained so clearly that German socialists did not wish for war, but that if war broke out they would follow the colours to a man.

[1] See Blondel, *Les Embarras de l'Allemagne*, and in particular Chapters VI. and VII.: *La Malaise des Populations Rurales* and *La Poussée Socialiste*. The book was published in 1912 and quotes many authorities, but it makes no mention of any eagerness for war among the working classes.

The German socialists said not a word, and their silence was attributed to the teachings of Treitschke, the doctrine preached by Nietzsche and to other causes of a like nature.

Endless discussions have taken place as to what "Kultur" and "Bildung" implied. Better have turned to history; but to somewhat early history, for the Germans have had no revolution since the Reformation, that is to say the sixteenth century.

Think what it means that a people should have been so long under the same sway, and how strongly it must have moulded their condition of mind, their intellect, and their habits in common. That is precisely what has happened. What was the Lutheran reform of the sixteenth century? It was a democratic movement under the guise of religion, carried through by the smaller nobility who had lost their all, and by the people. Against whom was it aimed? Against the wealthy dignitaries of the Roman Catholic Church, and against the Emperor. Whom did it profit? The princes.

I do not question its moral importance; I confine myself to an examination into its character and the results which came of it.

What did Luther do to get the better of the Pope and the Emperor? He leaned upon the princes and gave them the power which he took from the church. He did this as much by reason of his religious faith as because it was tactically necessary. To his mind

Christianity is a matter which concerns man's inner life, it implies that in his heart man is in close communion with God. This communion with God has for object the salvation of Man's soul, in other words, the certainty of attaining to heavenly happiness in the life everlasting. Princes are the appointed of God, and their function to control secular life.

As christian, man withdraws into the realm of his heart, where his freedom is unlimited. As citizen, as subject, he commits himself completely to the temporal power, that is to the Prince or State.

How different from the tenets of Calvinism, and how more different still from those of the Swiss reformed church. Luther's creed is that of a monk, Calvin's that of a lawyer, Zwingli's that of a student of human nature and a bourgeois.

This feature of Lutheranism, with its contrast between internal freedom of mind and external policing of the individual, has become to such an extent characteristic of the German character that one sees it even to-day in the works of the Pan-German writers. Mr. Houston Chamberlain, in his *Foundations of the Nineteenth Century*, cites it as a proof of pre-eminence of race.

Thus there came about the national and democratic movement which Luther himself had started, and which was to end in the establishment of despotism. Emperor and Pope, the authority of each of whom acted as a counterpoise to that of the

other, have both gone. What remains? The People? No, the Prince.

The Prince is all-powerful. Even in countries that have remained Catholic, his power has increased enormously. He decides what shall be the faith of his people: *cujus regio, ejus religio.* Look at Germany as she recovers from the effects of revolution, after the Thirty Years War. We see her divided under many rulers, and of these rulers, the one who will raise her above the others is the greatest despot; and of these states the one which will be the model to all the others is the most warlike, the most submissive to authority; the one which is ruled in a manner at once the most detailed, fussy and fatherly. In 1700 Prussia became a kingdom.

One must consider the effect of all that on moulding a people. Initiative comes from above, never from below, it never springs from the people.

Organisation of trade, introduction of new systems of agriculture, teaching, charity organisation, taxes, state functions, grants of preferment and of rank, war and peace, the church, the law, the courts of justice, all are in the jurisdiction of the sovereign. If the sovereign tyrannises the people, if he offends their scruples, what redress have they? Only to offer up prayer for him.

We cannot tell whether the German people has often prayed for its sovereign, but from 1524 to 1848 never once did revolution enter its head, and even

now, the days of 1848 seem but a bad dream. The great German philosophers from Pufendorf to Leibnitz and Wolff, even Kant, do not suggest that anything is better than enlightened despotism. Only, in the nineteenth century, it is not the prince but the state. But to the state is given divine attributes. The people have no hand in the constitution of the state, it is the state which creates public opinion, the state which shapes the ideas of the nation. It has the right to do so, and, in effect, has done so.

Prussia itself has been built up brick by brick, as though by workmen's hands, by Margraves of Brandenburg, by Electors, by her Kings; and Prussia has created the Empire. So much so that Germany has in the course of three centuries built up a kind of allegorical statecraft, so that she looks upon the state as a thing apart, outside and above the nation, gifted with a will of its own, entrusted with high political, social and ethical mission, in return for which the nation owes it unqualified support.

This conception can be traced even among the German socialists, who differ essentially from the French, in that for these latter, the state is the voice of the people, whilst for the German socialists it is rather the people which speaks with the voice of the state; and that is why Jaurès could not understand Bebel's point of view when he declared himself ardently for peace, but *only* so long as war

should not have been declared. The German kneels with such reverence before the state that his first thought is to increase its riches even when he is out to despoil it.

When the administrative reform of Prussia was undertaken, commencing with the year 1872, and was extended to various of the German states, the English constitution, with which the writings of Gneist had made the Germans acquainted, was to have been the model. The idea of self-government was borrowed from it, and independent administrative bodies were formed. But to whom was entrusted the duty of directing these bodies? To employees of the state and paid officials.

> "In the Grand Duchy of Baden, the council for the district; in Prussia, the council for the Province, and departmental and sub-departmental Committees; in Saxony, sub-departmental and departmental committees; in Hesse, sub-departmental and provincial committees; all these bodies are state directed, being composed as often as not of state paid officials, the President in any case being a paid Government servant."[1]

That is what English local self-government means when translated into German "Selbstverwaltung."

I could multiply examples. Everywhere the state has a finger in the pie.

[1] G. Jellinek, professor at Heidelberg, *The Modern State and its Laws.*

According to Jellinek its main functions are :—

1. To govern.
2. To demonstrate its authority.
3. To advance civilisation.

That is the meaning of the word Kulturstaat, which must not be translated " civilised state," but rather as an organising, or, as Rabelais said, " *plasmateur* " state. It is true Rabelais used the expression in speaking of God.

The Germans are a " Kulturvolk " because the German state is a Kulturstaat. Without Kulturstaat there is no Kulturmensch. This wonderful Kultur which people blind to its meaning have talked so much about, does not mean civilisation in the least. Civilisation consists of delicacy and gentleness of behaviour, and refinement of mind. Kultur implies state direction, to the end that man and the people shall be assimilated into it, incorporated within it, and shaped to serve its ends that they may share in the accomplishment of its purpose.

What ends ? Those ends which her history lays open to Germany. History to her is a divine revelation ; it shows her that the Germans are a superior race, seeing that they have not known defeat since 1815—until the month of September, 1914.

To attain her ends the State need consult none but herself. But what of moral law ? Why, the state itself has laid it down ; it consists in the duty of the indi-

vidual to the state; to whom could the state owe duty?

What of the law of justice? Well, that is born of the thing done.

"In the beginning," said Goethe, "was the act," for Goethe is more German than one is apt to think. And religion? Well, that is a blend of the other two. When Professor Kaftan, the well-known theologian, and an admirable person in private life, wrote his article on "The German God," he only put into words the universal German view.

All Germans are not God, but God is German, because He has confided His mission to Germany; His mind takes a kind of human form in the shape of the German state, whilst German Kultur is the expression of His soul.

The Academy of Berlin was a little late in disavowing the harshness with which Professor Lasson lashed the Dutch. A very embarrassing disavowal it was for them. Professor Lasson is one of the best of men, a philanthropist, charitable to the last degree, and above all an impenitent disciple of Hegel, who, advanced in years, fancied that he was witnessing the coming of "The Absolute."

How could one accept the fact that a little nation, of Germanic origin, should call itself disinterested and stand apart whilst so great a thing was going on?

Be certain of one thing—they think the same of us Swiss, and would equally tell us so, were it not for

our 400,000 bayonets ; for we also are trained to arms.

Is there need, therefore, things being as they are, to hark back upon the workings of Pan-Germanist Mythology for an explanation of the unanimity of the German people ? Pan-Germanism represents the mental state of mind of a Caste, an adaptation of history, ethnology, and biology to the aims of the ruling class in Germany. Moreover, it appeals to the minds, instincts and wishes of the people. Yet of the two sections of the people, the educated classes and the lower classes, it is the second which is by far the more deeply influenced by it, and the more important, for among them it is the outcome of a preparation which has been going on for three centuries, and it is associated in their minds with the traditions, customs of life, and feelings common to them all.

The German people lives, breathes, and moves in an atmosphere of governmental influence, not only affecting policy and social order, but pedagogy, religion, and personal conduct, which has become a second nature to it.

It rose to arms because the chief of the state gave the word, and it would have risen in any similar circumstances. In all similar circumstances it will rise again.

It is all very well to establish international law, define principles, seal treaties.

These workmen, these labourers are neither more

avaricious nor much more bloodthirsty than others, yet, when the chief of the state says to them, "March," "Kill," they will kill, pillage, and burn; "International Law" will go by the board. They go where their rulers lead.

Where are they being led? It were useless to tell them, not perhaps so useless for us to know.

II

GERMANY'S AIMS AT CONQUEST BY TRADE AND BY WAR

1. Reasons for Germany's Action
2. The Ends in View
3. The Means Employed
4. Germany's Financial System
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II

GERMANY'S AIMS AT CONQUEST BY TRADE AND BY WAR

1. Reasons for Germany's Action

Why has Germany set Europe on fire ?

That the question should have haunted us all since the day war began is only natural, but the reasons suggested hardly meet the case.

To my mind there are four, neither of which precludes the other, neither of which is altogether wrong in itself, yet each only in part explains what has taken place. In my endeavour to piece them together I arrive at a theory which is worth precisely the value to be attributed to the facts upon which it is built up.

Of the facts in question, some are indisputable, others we recognise without being able accurately to judge of their bearing on the case, more still have been told me in such strict confidence that I may not quote my authority.[1] When considered together

[1] Among those people to whom I am indebted for valuable and sure information there are some who have refused me permission to give their names ; and that is why I have given no names at all, preferring to appear ungrateful to some, rather than prove, in fact, ungrateful to any.

these facts strengthen one another, confirm one another, and fit together so well as to resemble the cog-wheels of some vast piece of machinery. Considered separately they may only excite a sense of curiosity, but once piece them together and one sees a living policy in the building, a terrible organising for conquest and power which staggers one by its heinousness, and terrifies by reason of the inexorable severity which it threatens.

The first of the four explanations of Germany's action the Germans themselves have given. They claim to be the victims of a plot hatched by Russia whilst their Emperor was peacefully cruising among the Norwegian fiords. That war was thrust upon them, that they were taken by surprise and only struck first in self-defence.

This explanation has been proved false by the revelations made by M. Giolitti, which have not been denied, and which M. Take Jonescu's statements corroborate.

The murder of the Archduke, heir to the Austrian throne, was a mere pretext ; war had already been decided upon in May, 1913. A plot had been indeed hatched, but not by Russia.

As to the suggestion of a surprise, there is just this, that Austria and Germany did not perhaps reckon upon seeing Europe rise to arms at their threats. On this point, also, we know more now than we did some months ago.

Up to the very last day the two Emperors could

have withdrawn honourably from the position they had taken up. They could have agreed to abide by the decision of an international congress, or they could have referred the question to the tribunal of the Hague, as the Tsar suggested in a telegram which the German White Book does not reproduce.

It is clear then that war was intended, the consequences had been considered, and it was entered into of deliberate purpose.

The second is the accepted explanation in all foreign countries, particularly in England and the United States, namely, the theory of ideology. Germany, which guided the hand of Austria, is under the influence of a distorted philosophy. Rich and poor alike, from Emperor to the meanest social democrat, she is a disciple of Neitzsche, of Gobineau, of Pan-Germanism, convinced that Might is Right, that war is the natural proof of might, that victory is a holy thing, that victory is the emblem of the Germans as crowns are the emblems of kings, and that science, history and God's loving-kindness have assured them world dominion.

Eucken, quite clearly, combated the idea that such crude Imperialism is the doctrine of the German people. He chose a bad time to do so. Had he raised his voice earlier he would have shown more courage and might have done some good. The spread of the idea of Pan-Germanism in Germany, and among the German party in

Austria during the past fifteen years, surprises no one, only such a doctrine is not of any great account except in that it is an expression of the aim of mind of a people, and therefore a symptom, an important clue ; in other words, it is effect and not cause. It is, in respect to what results from it, what the periscope is to a submarine. Of what accumulation of energy, of what obscure impulses is Pan-Germanism the outward and visible sign ? That is a problem, but not a solution. The theory of ideology explains nothing.

However it may appear, the theory that war was a political necessity is less satisfactory than one might think.

It is suggested that this war is nothing more or less than a vigorous blow from the shoulder, now on one side, now on another, with the object of getting rid of the strangling rope with which the other powers were binding Germany ; Germany must have air, freedom, freedom of the sea, freedom in Africa, in Asia. . . . Well, but it was theirs, and they knew that it was theirs, indeed they knew it too well. If they had had any slight doubts the catastrophe would perhaps have been averted.

Who doubted their political and military hegemony ? As a result of it they had obtained a large slice of the Congo territory from France, Austria was guaranteed by them in the possession of Bosnia and Herzegovina. The advent of the Young Turks

to power assured their influence in Constantinople, if not, indeed, the very possession of the Ottoman Empire.

At the second Hague Conference in 1907 England proposed to them a mutual understanding on the question of limitation of naval armaments, but Marschall von Biberstein declined even to discuss the suggestion.

True, Germany, in spite of all her efforts, had not been able to acquire a colonial Empire comparable to those of England and France, but the world was in fact open to her trade, and even the Chancellor himself in the Reichstag acknowledged that she had no concern with colonies as an outlet for emigration, since she had no colonists with whom to settle them, since the number of emigrants to all parts was very small indeed, and for the further reason that she was actually short of labour to till the fields and run her factories at home.

The aim of the alliances and *ententes* which were entered into following upon King Edward the Seventh's accession to the throne, was the establishment of a balance of power in Europe. One can see in them no vestige of a threat against Germany.

The fact is that the Emperor had attained the object of his "Weltpolitik," as he had defined it on the occasion of the launch of the cruiser *Wittelsbach* at Wilhelmshaven in 1900. "In future," he said, "Germany and her Emperor must be taken

into account in all that concerns the high seas or those lands beyond the seas," and he added, " What William the Great accomplished at home, we, William II, will effect abroad." And he did it. William I made Germany the equal of other nations. William II has obliged the other powers to recognise that Germany must be counted with equally with themselves. Is that not what he meant to say ? Did he mean to imply something more ?

The fourth is the economic theory. To hope to establish dominion over all other countries and to maintain such dominion would be a hopeless task, a ruinous one if it were capable of achievement.

But, to use the army for the profit of industry and trade, in other words, to crush competition and destroy the financial resources of two or even three rival powers, to win European markets by a rapid military success, to achieve lasting prosperity for manufacturers and merchants, indeed for all German producers ; is not that the natural outcome, under present-day conditions, of the work of William I and Prince Bismarck ?

If so it would explain much if one did not bear in mind a very important consideration, namely, that war, which could be quite a good financial operation in 1870, has become less good a one since then, and is perhaps a bad one to-day. So much could not have escaped the sovereign's advisers ; indeed, we know that it was pointed out to him.

On May 11th, 1912, Herr E. Possehl, one of the greatest merchants in Lubeck, delivered a lecture in Berlin on what would be the effect on German industry and trade if there were war. It will be remembered that there were ominous threatenings of war in 1911 when the Morocco affair took place.

Herr Possehl spoke at the invitation of General Klein, a well-known disciple of Pan-Germanism. He commenced by insisting that his address should not be reported, because, of necessity, he would have to call attention to the weak points in the German state as well as the strong. "I am convinced," said he, "that the war which England would wage with all her might on our seaborne trade would—far more surely than war on land with France—have most serious results for Germany and end in dragging us to our knees."

Then he went on to speak of the stoppage of work and of blockade, of the more than £900,000,000 worth of German trade represented by exports and imports, of which over £650,000,000 worth would be at the mercy of the English navy. He spoke of the scarcity of corn and food-stuffs which Germany buys abroad to the value of some £50,000,000 per annum, the risk of stoppage of factories, scarcity of rolling stock, the six or eight million persons who would be thrown upon the state, all of which appeared to him to have such an element of danger that he went on to suggest the setting up of a standing committee composed of the most prominent business

men, drawn from the ranks of the manufacturing and trading classes, agriculturists and bankers.

"These economic problems," he cried, "must so greatly affect the destiny of our people that surely they are as important as military considerations."[1]

It is impossible that Herr Possehl's cry of alarm was not heard. It had been forestalled by panic on the Stock Exchange, by commercial failures, by mischief of all sorts brought about merely by the threatened possibility of war.

Would such a thing as war be provoked, would such grave perils be risked with the sole object of stimulating the manufactures and trade of the Empire, when already they have increased to so unlooked-for an extent as to rival those of England and America ?

There is still something we do not know.

Consider the political, social and economic conditions one with another and one arrives at no plausible explanation.

Highly prosperous, with no danger threatening, a people does not risk its all with the blind fury which it is ours to witness. No, everything points to the fact that the war was a step taken in despair, a stroke carefully planned; threatened, for sure, several times before, in 1874, in 1875, in 1887 at the

[1] It is only a little while since the newspapers spoke of the arrest of Herr Possehl, of Lubeck, a personal friend of the Emperor, on a charge of dealings with the enemy. The matter has not again been referred to. Was Herr Possehl too good a prophet, and did he unwisely give a reminder of his warning ?

time of the Schnaebele incident, in 1905 on the occasion of the Tangier dispute, in 1911 when the Agadir affair took place, but always threatened and then deferred; yet at last hurriedly rushed into in 1914, as if for fear that the opportunity might be missed.

A gambler's throw, was it, undertaken at the spin of a coin? No, a nation does not act so when it is prosperous and has much to lose.

Was it, perchance, that all was not well; that desperate trouble threatening the very life of the nation was foreseen; that Germany rushed into war in order to forestall it?

What could the trouble be?

2. The Ends in View

Let us turn to history.

In 1879 Prince Bismarck initiated a policy affecting business matters by instituting a protective tariff. He so adjusted it as to reconcile the interests of the National Liberals and of the landlord conservatives. So he hoped to oust the socialists and to render the Catholic centre party more tractable, whilst at the same time adding to the revenue of the country large sums for which it would not be necessary to apply to Parliament. What a godsend to be able to dispense with the Reichstag!

No time was lost in applying the tariff, and keen

was the discontent with it ; yet it had been calculated on a basis that would adjust internal trade by means of compensation given to the great landlords on the one hand and to the manufacturers on the other.

From the fusion, or at least alliance of the two classes, there resulted the foundation of the existing ruling class. From time to time since there have been quarrels and reconciliations, but this composite aristocracy, part noble born, part money bred, is more than ever the one which governs. It matters little whether it commands a majority in the country. At the last elections, for instance, it represented four and a half million votes, whilst the liberal parties in all won 202 seats, representing seven and a half million votes.

But Germany is not a country in which public opinion counts. One saw that well enough when war was declared. All parties, the whole country, supported the Government. What then of the vaunted working-class pacificism and internationalism ? Mere fables. No need even for pretexts. The people said, " We follow the Government because it fights against the Muscovite barbarian," so they proceeded to make war upon Belgium, France and England !

It is not simply because the Chancellor and the ministers of state do not have to answer to Parliament that Germany is not a country in which public opinion finds its own expression, but on account of

the view held of the nature of the state, namely, that it is not representative of the people, but a kind of system superimposed upon and high above them.

The press and the professors have striven to express and develop this theory of the State, whose origin may be traced back to the days of Luther at least, if not further, and that is why the elected representatives of the people hailed without reserve the decision of a minority.

People who were present at the great sitting of the Reichstag in July, 1914, tell me that the deputy Liebknecht did not raise his voice against the vote on supply. No vote was taken. It was carried by acclaim. Nothing happened which could be compared with the heroic opposition of Thiers and some others in the French Chamber in 1870.

Let us trace the evolution of this governing class, for if a clue to what has come to pass is to be found, it is there that we shall discover it.

The death of William I in 1888 was quickly followed by that of his unhappy son, and William II came to the throne. In 1890, growling like a wounded bear, Prince Bismarck was removed from office.

Only a few years before he who was so soon to come to the throne had, in the course of an after-dinner speech, uttered these memorable words: "The state resembles a ship whose captain has been killed, whose second officer lies seriously wounded, yet she keeps on her course."

Has she kept her course ?

In a sense "yes"—in a sense "no." True, Count Caprivi carried on Bismarck's policy, but in a manner of which the man of iron did not approve. He had introduced laws benefiting labour, but at the same time had set up powerful machinery aimed at socialism. Under the new Chancellor, the famous universal labour conference was called. The labour movement was encouraged to spread in all directions, whilst the sword with which socialism had been kept within bounds was sheathed again.

On the other hand, when the commercial treaties were renewed in 1892 Count Caprivi carried on Bismarck's policy by showing himself a staunch supporter of the interests of German trade. But he did not go about it in the same way. He gave up all attempt to pander to both the agrarian and the industrial parties, dropped the policy of compromise in favour of one, if not of free trade, at least avowedly anti-protectionist. "Germany," he proclaimed in the Reichstag, "is an industrial country."

The agrarian party, in other words the nobles, and in particular the Prussian nobility, resented this deeply. On several occasions the Emperor found it necessary to remind them of their duty to the throne. He was leading them, he said, to a new and greater destiny in spite of themselves, and little by little he won them over.

His influence it was, in great measure, which

brought about the change in the political opinions of the governing class.

He created nothing new; perhaps not, but the adoption of the new policy was due to the influence he wielded.

Two years after he came to the throne, in 1890, the very year in which he dismissed Bismarck, he coined the now famous expression, "our future is on the sea."

He it was who inaugurated the policy of "Welt-politik," from which, however capricious and incoherent some of his proceedings may have appeared, he has never departed.

Without harking back to all the details of this piece of history, let us try to reduce it to its main issue, namely, that to the Germany of William I and Bismarck, at last united through blood and iron, and occupied in developing her own resources, should succeed another Germany of broader acres, but above all richer, more powerful, more glorious; that was the dream which is betrayed in all his words and acts.

They had been the heroic pioneers. Providence had decreed that he should be the genius of her upbuilding. Everything indicates how much the gift of imagination possesses him. He is a megalomaniac, who hankers after theatrical effects and delights in symbolism.

What a superlative achievement it would be to crown the work of his predecessors by giving all of

himself to the creation of one vast, all-embracing Germany which should make the whole world radiant through the agency of German science, German art and German genius for organisation !

To lead Germany forward, himself at the head of the nations, amidst ever-increasing material and moral prosperity ; would that not indeed bring assurances of happiness to mankind, provided only that mankind recognised how happy it was ?

This dream of his was not based upon the idea of armed strength. From the time of the Schnaebele affair in 1887, which was before he came to the throne, till the Tangier crisis in 1905, he left France in peace, even, on several occasions made friendly overtures to her. He kept on friendly terms with England until the Transvaal war, and even for several years more. Certainly he aimed at conquest, but in the guise of peaceful penetration.

He often let fall the suggestion that the English fleet and the German army working together could ensure peace in Europe.

It was economic dominion at which he aimed, and the prosperity of England served as an example of it. He proceeded to surround himself with bankers and manufacturers, and to dabble in business.

The great design of his reign should be to develop the riches of the German soil, to turn to account the vigour of the people and to find occupation for all, to open up mines, increase the number of factories, perfect methods of transport, widen the

scope of commerce and increase the field for financial operations, not alone with the object of benefiting home markets, but of obtaining control of those of the world. The influence of German thought and a taste for things German could not fail to follow wherever her manufactures had penetrated, and so, secure by reason of Germany's military strength, reaping untold advantage by reason of her wealth, the world entire would live thereafter in the contented enjoyment of German peace. He has been termed the Emperor of peace, and Emperor of peace it was his aim to become.

Standing erect in his grey cloak, on his head his shining helmet surmounted by the spreading eagle, his hand on the hilt of his sword, he would gaze upon his own people thrilling with gratitude and pride, and beyond them, to all mankind, reaping rich profits from its daily toil.

At his command the arts would burst like flowers into bloom. The diverse mental impulses of mankind would be reduced to a state of order and the hubbub of social unrest be calmed at the sound of his voice ; and that mystical affinity uniting down the ages the great men of history, from Hammurabe, the friend of Abraham, to his grandfather, William the Great, would reach its climax in him and perpetuate his good work ; and in days to come, yet another marble statue would be erected in Berlin in the Sieges Allee, to stand there, a witness to his own glory and the fulfilment of his high Imperial mission.

3. The Means Employed

The first thing necessary was to unite the nation in one huge effort to put an end to class strife by dropping Bismarck's repressive legislation, and by passing acts in the direction of trade unionism; to abandon the system of tariffs which closed the German markets, in order to encourage foreign trade.

That was Count Caprivi's task, and he did it. It was necessary to give a strong impulse to manufacture and trade, to support each by wise financial organisation, and to find outlets in every quarter of the world.

All that was done and with success. From about 1890 till 1900 or 1905 Germany underwent such a transformation and expansion as partook of the nature of a miracle.

Professor Ostwald has recently explained that the Germans have discovered a new "element" of civilisation—the "organisation element." We shall see in what this consists. The results have staggered and fascinated most visitors to the cities of the Empire during the last fifteen years. A few figures will suffice to give the reader a fair, if general idea.

The extent of roadways in Germany amounted to 30,000 kilometres in 1857 and in 1905 to 96,000; 469 kilometres of railway in 1840 had grown to 54,164 in 1905; representing a capital expenditure

of some £560,000,000. Further, there has grown up a network of canals and canalised rivers. The mercantile marine amounted to 500,000 tons in 1850 —in 1910 it had reached the position of second in the world, with a tonnage of 3,000,000. Second only to the English, a bad second it is true, for that of England amounted in 1910 to 11,555,663 tons, consisting of 21,090 vessels, as compared with 4675 German.

The mining and metallurgical, the chemical and textile trades, and the youngest, the electrical, have advanced with giant strides ; the latter, for example, which has grown up since 1895, now has no less than £31,250,000 of capital invested in it.

The capital invested in Electrical Supply amounts to about £125,000,000.

The output of the mines and of the metallurgical trades was, round about 1900, represented by £200,000,000 *per annum*, and that of the chemical industry was estimated in 1905 at £62,500,000.[1]

The iron and steel industry gives occupation to 400,000 workmen, without counting colliers numbering 700,000.

What is most striking, and sets one thinking, and to which I shall return in due course, is the way in which production has increased in geometrical progression. For instance, the output of coal, which

[1] Instructive figures are to be found in Lichtenberger's book *Modern Germany* (London : Constable and Co.) and in all works based upon recent statistics.

was 72,000,000 tons in 1886, amounted to 225,000,000 in 1906. Statistics show that it exceeds 250,000,000 tons, valued at £125,000,000 per annum. In 1912 16,000 factories were at work in the textile trades, employing 900,000 hands. There were 20,000 engineering workshops employing 900,000 men. Then there are the trades occupied in the production of drink and food-stuffs, the india-rubber industry, leather and paper. There are the stone and earthenware trades and many more. There are, or at least were in the German Empire before the war, more than 300,000 factories and workshops working full time and giving employment to 6,500,000 hands.

Commerce, the carrying trade and the building trade employ 3,500,000. One simple fact will show, to some degree, the scale of this vast output ; the production of iron by the whole of Switzerland, in one year, say 6000 tons, is not equal to one day's output of the German furnaces. In 1890 the output was 4,600,000 tons—in 1910 close on 15,000,000 —equal to at least 41,000 tons per day.

The Germans have, of deliberate purpose, set themselves systematically and hugely to exceed the requirements of their home market. They have set themselves to flood the markets of the world, and have done it with their eyes open.

The years from 1890 to 1900 constituted a period marked by such economic conquests as have never before been known, in which the skill of their engineers, their chemists, their craftsmen of every

kind has been of no small account. Hundreds of them are employed in all the big works—their energies directed to the discovery of new applications of science to practice, the perfecting of machinery and processes of manufacture with a view to increasing output, the discovery of fresh uses for by-products, and means of developing those products which would otherwise be wasted.

They have found means to collect the iron dust which escapes in the gas given off by the blast furnaces, to mix it with cellulose, and make briquettes which they in turn make use of to feed their hungry furnaces.

Hundreds are employed where food-stuffs are made, in the textile industry—indeed in all their industries. Moreover, neither time spent nor money expended on experiment weighs with the Germans when it is a question of establishing some new process which is likely to make them masters of the foreign market, and to recoup them ultimately for their expenditure. They turn machinery to wonderful purposes. By means of stamping plant, by making large numbers of articles to template, they have so lowered the cost prices as to crush, for the time being, all competition.

I intentionally use the words, for the time being.

To manufacture on a large scale the outlay must be large. Their factories are huge, and they do not hesitate to keep them up to date, to scrap plant and buy newer, without waiting until it is worn out.

Now that can only go hand in hand with the growth of a very large volume of foreign business, and, as a matter of fact, in respect to trade alone, German "special" imports[1] amounted in 1911 to £485,000,000 and "special" exports to £405,000,000, making a trading total of £890,000,000. For the same year the total reached by England was £1,050,000,000.

So to the manufacturing problem is added a trading one. Where is this huge production which the workshops and factories of Germany are ceaselessly turning out to be dumped down? A new-comer in regard to foreign business, Germany, having exhausted her home markets, was faced with the essential need of establishing herself abroad, whether by the creation of colonial outlets, or by driving other nations out of the markets which they had created; for that reason, as all the world recognises, Germany adopted a colonial policy. It was not in order to find an outlet for her surplus population that Germany needed colonies at any price. She has not enough manhood on the soil, as it is, and she has to import labour every year. She has barely enough hands for the number and size of her factories. Emigration figures grow less every year, and are now negligible, amounting only to 25,500 in 1910, of whom all but 1800 went to the United States.

[1] "Special" as regards imports signifies for home consumption; as regards exports means German produce, i.e. not re-exported.

Moreover, although the birth-rate is higher than in England and France, it is decreasing more rapidly than in either of these countries; for instance, in Prussia the figure was in 1900 36·1 per 1000; in 1910 30·5. In Saxony 38·1 in 1900, and 27·2 in 1910. In Bavaria 36·8 in 1900, and 31·4 in 1910. Over the same decade the fall was from 28·2 to 25 per 1000 in the United Kingdom, and from 21·4 to 19·6 in France.

This fierce desire for colonies came from no excess of population penned within frontiers and struggling for breath. What German prospectors go hunting about the world for are mineral deposits. Germany wants and must have raw materials, also she needs corn, seeing that she has become to such an extent an industrial nation that she no longer grows enough cereals for her own consumption. In 1910–1911 she consumed 29,000,000 tons after deducting seed for sowing.

Germany's imports of cereals, after deducting those which she exports, amount to about 6,000,000 tons, or say 16%; that is to say, notwithstanding improved methods of agriculture, the amount of corn of every description imported has increased in twenty-five years from 6% to 16% of the total consumption.

Germany's colonial ventures are economic in aim, their object is to obtain for her sources of corn and mineral production, and outlets for her finished manufactures. She is by no means put off by the

fact that countries on which she has cast her eyes are already peopled, so long as they meet her requirements; if, in addition, there are mineral deposits, all the better. Minerals were what the brothers Mannesmann went off to seek in Morocco, just as so many others were seeking them elsewhere; the plan being to build up interests, real or fictitious, and then to contrive excuses for intervention; yet their colonial enterprises have been none too successful.

By studying their methods in different markets, by observing their behaviour and noting their acts and deeds, one may trace four methods employed by them to attain that commercial conquest which has been exceedingly profitable.

I lay no claim to any estimate of its moral aspect; I have, to the best of my ability, indicated a well-planned scheme of trade warfare, which I maintain has turned out well; and this commercial warfare having been a success, we must seek the reason why Germany has entered upon war of another kind.

The first method is that of infiltration; in other words, personal and economic penetration. In regard to that, I will now, at a time when public feeling is so much aroused, say nothing, and confine myself to citing a well-known fact, namely, that the Germans, even in the United States, do not become assimilated with the population as they used, or perhaps as we only fancied they used to.

To-day they hang together, and form a solid party of their own. Perhaps it is not surprising, for we live in a time of perfervid nationalism. But the German thrusts himself in everywhere. Holding positions of all kinds, from humble waiter in a restaurant to posts of the most confidential nature in factories, in business houses, as newspaper editors, Germans seldom, if ever, lose sight of the material and political interests of their own country. I do not mean that they all act as spies, but that they never lose an opportunity of spreading German propaganda.

Before the war Belgium was largely controlled by them. In some of the states of South America, where they form a strong and compact body, the Governments have been seriously preoccupied as to how to deal with them ; whether to oblige them to go home again, or to force them into the undeveloped interior of the continent, where they would of necessity be less cohesive.

Switzerland is a country in which they carry on their conquest by infiltration.

Very significant facts point to their having, to no small extent, retarded the awaking of Swiss opinion and the expression of Swiss feelings of late in Switzerland itself ; there are no less than 40,000 Germans settled in the Canton of Zurich, not to speak of those in Bâle, Berne and elsewhere.

There have been two chief methods with them, of economic penetration ; through the agency of representatives of industrial and commercial firms, and

by purchase, wholly or in part, of interests in businesses or the establishment of new and entirely German firms. A pretty instance, which I have on the best authority, shows with what resource and ingenuity the agent of a firm will set about securing a contract. It was a question of the electrification of one of the Swiss mountain railroads.

The quotations received from the Swiss contractor and the German were for all practical purposes the same. The German house thereupon offered to take up 800,000 francs' worth of stock in part payment, on condition that it should be given the contract. This was readily agreed to, whereupon the Germans proceeded to sell the stock on the Lausanne and Geneva exchanges, so that the astute people of Vaud and the ingenuous men of Geneva paid up their savings to secure the contract to a foreign concern instead of to one of their own firms.

A German house, established abroad, is a means of outlet for goods made in Germany as well as those which itself manufactures, whether finished articles or not.

Part holdings in business houses have the same result. Care is taken to have German representatives on the directorate; perhaps only one, but he is a holder of a majority of the shares.[1]

[1] I am only speaking here of trade and manufacture. Yet the papers quite recently announced the retirement of a director of one of our largest Swiss financial houses. He was the only German, but, they added, the most influential member of the board. This naïve statement is not devoid of interest.

These houses are also of the nature of information bureaux. It was thus that Germany came to be France's competitor in the matter of women's fashions, and "articles de Paris."

The Americans, for example, come over to place their orders in the month of January. In the course of their visit to Europe, they find themselves in the office of some German commission agency, where they are urged to go and see some of the dressmakers in Germany; they are even personally conducted. There they see charming models at a moderate price. What is their surprise on arriving in Paris to find the same models! "But that is not new," they say. "I have just seen the selfsame thing, and much cheaper in Germany!" And the order is placed beyond the Rhine.

Now, how is the thing done?

The commission agent in Paris, no matter what it may cost him, gets early examples of the fashions which are going to be put on the market, and sends them to Germany, where they are immediately turned out in quantities, in standard sizes, made with less care, and, as ill-disposed critics are apt to say, with less taste than in Paris, but cheaper, and that is all that is required.

Since the outbreak of war the French Government has caused all German or Austrian business houses in France to be closed.

The list of houses affected, according to the police reports up to January 5th, 1915, numbers 4001,

representing commercial, industrial and agricultural concerns, of which 1142 are situate in Paris and the department of the Seine alone.[1]

On the outbreak of hostilities, and with a view to restoring confidence, the *Frankfurter Zeitung* printed a list of German newspapers which are published outside Europe, and in particular in Africa and Asia, numbering one hundred and sixty-eight. To these must be added the printed news sheets, issued privately by the trading agencies.

War is war, but make no mistake that it is war ; in other words, a co-ordination of operations planned with method and foresight and directed with set purpose to bring about ruin to the adversary.

A consideration of the second steps in the scheme of commercial conquest proves it beyond dispute.

The second step is dumping.[2]

Dumping consists in selling at breakdown price in order to defeat competition and seize the market ; for instance, the German ironmasters sell their girders and channel iron for 130 marks per ton in Germany, for 120 to 125 in Switzerland ; in England, South America

[1] For a typical instance of peaceful penetration in Belgium see the first few pages of the striking book by M. Waxweiler, *La Belgique neutre et loyale*. Lausanne Payot, 1915. For the same relating to Italy see Preziozi, *La Germania a la conquista dell' Italia*, Florence, 1915. Preziozi is accused of exaggeration —but even allowing for that, there remain very significant statements.

[2] It is necessary to distinguish between *dumping* or suddenly throwing—forcing—on the market, which is a new trade feature, and the system of varying prices, which is not.

and the East for 103 to 110 marks; in Italy they throw it away at 75 marks and *make a loss of from* 10 to 20 *marks per ton*, for the cost price may be reckoned at 85 to 95 marks per ton. That is dumping. The rival manufacturer is ruined outright, unless he comes to a working agreement and accepts all conditions.

Face to face with a man of overwhelming resources, with, for instance, a Solvay, King of the Soda market, one must endeavour to come to terms, and, for the most part, one succeeds ; he continues to do the manufacture and shares the markets with those who cannot successfully compete against him. But that is only the case with the strong houses, the others are driven out of business by means of dumping. Whatever happens, he remains dictator of the market price.

Dumping is not just an incident of trade—an exceptional occurrence. It is a weapon used in respect to all countries when commercial conquest is intended ; it applies to the iron trade, chemical trade, electrical, and, indeed, to trade of all kinds.

In Paris, last winter, it was found necessary to allow a certain German firm to start work again, else it would have been impossible to obtain the electric apparatus necessary for radio-photography in the hospitals—it had control of the market. The only French manufacturer who could supply it was with the army.

The Germans had established several factories for turning out formic acid. This acid seems destined to

take the place of acetic acid, which is much used in the chemical trades. Three years ago a Frenchman proceeded to set up a works to make formic acid. Immediately the price fell from 225 francs to 80 francs per 100 kilogrammes, and the Frenchman was driven out of the market. Yet of the three or four German manufacturers two were forced to close down, which shows that they were selling at a loss.

Consider the case of Italy, for it is there that the method is most in evidence. Why? Because the Italians in the North are building up an iron industry. Their smelters aim at freedom of trade.[1] The competition which they have to face is a real drama—indeed, at times a veritable tragedy.

It would take too long to narrate here the most notable episodes in the conflict, and to describe the fluctuations that have taken place.

The Germans sell bar iron at 130 marks per ton in Germany and 95 marks in Italy; many other manufactured articles, such as iron wire, steel springs, cold rolled iron and sheets, etc., are sold in Italy at a price 15 or 20 francs below the market price in Germany.

Austrian makers of sheet iron sell at a sacrifice of 7, 10 or even 12 francs per quintal.

In the case of steel rails the price has been lowered to 40 francs below that at which the Germans have kept it in other countries.

[1] See R. Ridolfi, *La siderurgia Italiana e la protezione doganale*, in the revue *Metallurgia Italiana*, 1914.

Competition must be crushed and kept down.

If Switzerland enjoys a favourable position as regards the price at which she can buy iron from Germany, it is because Switzerland is the gateway to Italy, and Germany keeps the gate closed against Italy.

In spite of all, the Italian ironmasters are determined to exist and do exist, but what spirit, what tenacity is theirs ; what a deadly struggle they are engaged in all the while.[1]

The Central-Verbund of Düsseldorf controls the iron market of Germany, Austria, Switzerland, France and Belgium. Italy and England, as might be expected, have escaped its toils.

Consider what it means to control the iron market and to be the arbiter of prices ! It means control to a large extent of all engineering construction, control of the output of a vast number of manufactured

[1] It is pointed out to me that *dumping* is in vogue to some extent at least all over the world. That is true, but, in order, at times of crisis, to find a market, at whatever loss, so as to keep one's factory at work, and one's workmen on the pay sheet. *Dumping* of that nature is intermittent and depends upon circumstances : it comes to an end as the market rights itself, and consequently is not practised in order to bring ruin to competitors. It is one thing to *dump* for the purpose of clearing one's own excessive stock, and quite another to do it systematically, with the object of killing out competitors in other countries and seizing their markets. The German practice is that of overproduction with a view to dumping. Liefmann tries to justify the German practice by pretending to believe that German firms, like others all over the world, produce more than they can at times dispose of and have to unload at a sacrifice. The distinction between the two forms of dumping is an essential one.

articles, of machinery of all kinds, of shipping and railways and many other industries.

I will not press the importance of the two other methods, though their importance should not be under-estimated. One is the system of long credits, the other the assistance rendered by the Government.

The offer of long credit has been one of the most insidious means used to allure the consumer. Six months' credit, twelve months', even eighteen months' and more. In trading with Russia, in many cases there has been no fixed limit—merely payment by cheque from time to time, the account running on. As orders increase on the one hand, so payments are more frequent, that is all.

Compare this with the system in vogue in France, which is one of three months' credit, certainly never longer than 120 days. The Brazilian, Argentine and Chilian markets have been won by giving long credit. It secured the commercial penetration of Mexico.

How many hundred millions of marks have been locked up in this way ?

The ramifications of the fourth method are even more difficult to follow. State intervention takes many forms, of which that of political influence is the most obvious.

In Bismarck's words, *Die Flagge folgt dem Handel.* Germany has largely reversed this and made commerce follow the flag. And the flag has been carried here and there over the world to good purpose.

It is superfluous to recall the German Emperor's journey to Jerusalem or Prince Henry's more recent mission to South America, and the skilful manner in which Germany has seized every opportunity of asserting her prestige.

Prestige is a powerful factor for success. It is the weapon used by all diplomatists and consuls to achieve their countrymen's aims, and it is in this respect that the Germans are well favoured; but until recent years no sovereign has himself entered the lists of commerce, and made use of his personal influence in order to advance the trade interests of his subjects.

Orders for manufactured goods, financial loans, mining concessions, opportunities for the development of new territories and for railway construction have fallen like some new kind of Imperial manna to the Germans.

The state, moreover, supports trade by joining in it; and by reason of owning mines and railways is one of the largest commercial concerns in the country. Its chief aim has been to encourage export trade. Prussia owns collieries, and it is the complaint of the members of the federation of German manufacturers that the Government uses all its influence to advance the interests of the Essen Coal Syndicate, with which it has a working agreement.

The board of the "Bund der Industriellen" has strongly condemned a very remarkable policy of state railway rates.

"For a double waggon of coal the freight charge is only 37 marks from Duisbourg to Emden, a seaport, the distance being 260 kilometres, under the special rates affecting the export of coal. Over the same distance, a double waggon of German coal for home consumption pays 64 marks for freight, and English or Bohemian coal for home consumption as high as 69 marks."[1]

More to the point still :—

"The freight of a double waggon of German coal from Duisbourg to Hamburg, a distance of 367 kilometres, costs 57 marks, whilst, in the reverse direction, from the seaboard to the industrial centres in the interior, the freight charge is 86 marks in the case of German coal, and as high as 93 in the case of foreign coal."

What the industrial league demanded was that these export rates should at least not be reduced still further, as the Prussian minister of trade had announced in the Reichstag on March 4th, 1912, that they would be.

What is that but dumping and state encouragement of dumping by means of preferential freight rates? Here we have the state itself going to the conquest of foreign markets—and if we can see so much, how much more must there not be that we do not see.

[1] *Berliner Tageblatt,* April 3, 1912 (*Handelzeitung ;* abend) : *Der Bund der Industriellen und das Kohlen-syndicat.*

A word as to the "Einfahrscheine" or bounties on imports, which are in fact bounties on exports. How can Germany, which does not harvest enough corn for the needs of her own people, afford to sell to Denmark and even to Russia, where the price is lower ?

The big farmer, who does not breed beasts for the markets, and who sells his produce, would get 17·7 marks in Germany for a ton (100 kilos) of rye. He pays the railway charges[1] and sells in Denmark for 14·5 marks per ton what has cost him 18·75 to produce. That looks like selling at a loss, but it is not so in fact, for the state gives him a bonus on imports amounting to 5 marks per ton, and with this bonus he pays the import duty on certain articles, such as cereals, coffee or petroleum, of which the state frames the schedule ; or else he sells his bonus on the Hamburg bourse. In 1911 the sale of bonuses on imports reached a value of 123 millions of marks.

The cattle-breeder and small countryman complained, but the big landlords, members of the Agricultural League, the feudal and conservative agrarian class found the system too profitable to allow it to be altered.

Penetration by establishing a business man here and there, by buying controlling interests in foreign companies, or by setting up German factories abroad

[1] There is also a reduced scale of freight charges for cereals. Cf. *Berliner Tageblatt*, December 7th, 1911, in an article by Dr. Struve, a member of the Reichstag.

—Government support everywhere, and exerted in every sort of way—dumping without mercy—tariffs and bonuses do not represent all the activities of the Government supported Germans, but these are the chief and the least obscure.

Still, industry and trade cannot exist of themselves, and these factories built on all sides, these vast trading concerns, this incessant perfectioning and renewing of machinery, the creation of a mercantile marine, the winning of foreign markets, the giving of long credits, necessitate the expenditure of vast sums, require huge capital. Where does the money come from ? The industrial and commercial system in Germany is erected upon a wonderful system of finance. The Tower of Babel was also a remarkable erection.

4. Germany's Financial System

The heart, the motive force of business life in Germany is the bank, and the functions of a bank in Germany are quite different from those in France.

In both countries capital has tended to become centralised, and although the two countries represent roughly the same area, in Germany nine great banks, and in France five, control the money market.

Not ten years ago both these huge financial groups were doing approximately the same amount of busi-

ness, namely, about 100,000,000 of francs, only French banking consisted mainly of discount business. The French banks held commercial paper valued at 500,000,000 francs more than the German. The German banks held 1,200,000,000 more than the French, but in the form of credits, loans, overdrafts and the like. In other words, the German banks have used the country's savings to finance industrial ventures and high dividends have been the bait to attract foreign capital.

Between the years 1885 and 1900 more than £1,200,000,000 was put on the market. At the same time a curious development took place. The banker, instead of confining himself to the business of lending money, followed his capital—or rather that of the public—into trade, and himself controlled its use by becoming *financial adviser* to the companies in which it was invested. Various circumstances brought this about, and foremost his own interest in doing so, though this was clearly the least important of them.

Such positions are not unpaid. The financial adviser to a big concern may easily net from two to twenty thousand marks per annum in fees.

Reference to the Dictionary of Directors and Financial Advisers for 1912 will discover sixteen financial magnates sharing between them 437 such positions ; in one case one man held as many as forty-four ; the least fortunate, alas for him ! only fifteen. One seems to see the financier watching the

luxuriant growth of his companies and enterprises of all kinds with an æsthetic joy, and advancing their interests in all directions to the best of his abilities.

Another reason was the advantage to the undertakings themselves. These directors deserved their fees, for they brought wealth to a whole class—at the expense of other classes, it is true—but I must not anticipate.

The Germans have forged two weapons in the interests of trade, the like of which have never before been seen : organisation and credit.

As to organisation, the financier, holding an interest in competing firms, set himself to reconcile their interests by means of working agreements. Thence the system of "Kartelle." These are understandings between firms varying as to the form they take and their time of duration, which to-day control the productive activities of every kind; for instance, mining, chemical manufacture, the electrical trades, the sugar trade and the metal market.

In 1902 there were 300 such, and of late years, their number has increased to more than 400. Competition continues, but rival firms enter into agreements among themselves to the end that they may keep the consumer in their power, settle among themselves what discounts shall be allowed him, what rebates, what rates of interest shall be paid, what commissions given and so forth. Also, under-

standings with a view to sharing among them big municipal contracts, instead of entering into competition for them.

Next, they organised a method of collecting all orders through a central office, and from it distributing them among the manufacturers. Output was controlled, stoppage of work, competition and fluctuation in prices were avoided.

The consumer was at the mercy of this organisation of manufacturer, trader and financier ; the very contrary to what happened in the Middle Ages when commonwealths came into being. They saw division of labour and specialisation going on, but without reaching the point of co-ordination of effort, and in the end the merchant and the retailers imposing their will on the manufacturer, and making him their servant.

Here we have a system of very modern growth. The cartel is not a trust in the American sense, it is indeed more flexible—the various houses taking part do not become one. They even, to all appearance, are rivals, or continue at least to compete with one another in those fields to which the cartel does not apply. Thus they forestall any protests that the public might make.

The great electrical firms of Siemens and Halske on the one hand, and the A.E.G. (Allgemeine Elektrizitäts Gesellschaft) on the other, may appear to be deadly rivals ; that is for the benefit of the public.

"Has so-called controlled competition by chance the outward appearance of competition in order not to alarm the public, and does it really consist in an understanding of which the state and the consumer need know nothing, and by which prices are fixed and markets are shared ?"[1]

The fact is that the electrical trade, the last to arrive on the scene, is one of the most centralised, perhaps the most completely organised. And what is behind it ? The Deutsche Bank, a very "Empire within an Empire."

The Plesiosaurus and the Ichthyosaurus have so wisely united themselves in matrimony as to place their German clients at their mercy and enable them to undertake the conquest of the world, for the German electrical trade has for some years looked like obtaining a veritable monopoly in Europe and beyond. The Swiss know something of it ![2]

Put up prices all round when one controls the market and as a consequence make living more expensive. Dump, crush, and carry on a merciless war on those that one does not control ; that is the system in all its terrible simplicity.

[1] *Berliner Tageblatt*, April 5th, 1912 : *Elektrotrust.*

[2] An interesting and doleful story might be told of the economic enslavement of Switzerland. Economic enslavement is not the prelude to political—it is the thing itself, or a substitute for it. The nation which imposes the one need not trouble about the other. That is the "organisation factor" of which Professor Ostwald spoke.

In 1900 the cartel among the manufacturers of iron girders made a profit of 1,200,000 marks in Germany and lost 850,000 on its foreign sales, which is a very significant fact.[1]

The most astounding, the most ingenious, the most audacious and the most rash is the organisation for making loans.

One does not find big businesses in Germany, as one does in France, dispensing with outside financial help, and making their capital expenditure out of annual profits.

The saying that "capital is savings" applies, says M. Yves Guyot, to the capital invested in French collieries. In other words, French concerns have grown as the demand for their products has increased and capital accumulated. M. Yves Guyot deals with the subject in the chapter headed "Le Capital et l'Industrie metallurgique."

In Germany manufacture, mining markets and trade have all grown up suddenly as if the outcome of some creative impulse of the mind—some philosophical system of thought, instead of as they were needed to fill requirements.

All that calls for huge loan capital with which to buy raw material, to build up foreign markets, to acquire mines and collieries, to buy up competing businesses and set up new factories. The policy of Weltpolitik dates from twenty-five years ago, and

[1] Delaisi, *La Force Allemande*, Paris, 1905.

in that period, one must reckon the money invested abroad by hundreds of millions.

The annual income from this capital is estimated at £40,000,000 per annum, and it is admitted that it is this income, together with that accruing from her ocean freights, which makes up for Germany's excess of imports over exports.

So she has had constantly to appeal for funds, to cast about in all directions for capital, and even then it has not been sufficient.[1]

Then the great banks substituted paper for accumulated funds. It was high time, for this commercial world conquest, like the conquests of the Roman Empire, could not be checked without serious dangers. The larger the frontier, the more urgent became the need to protect the extended front, and give support to the advance posts.

I do not claim that the big concerns show no large reserves in their balance sheets, but these reserves consist of " lock up " securities and are not realisable. All that is made is all the time being reinvested in industrials, in the same way in which what is saved from the exhaust gases of the blast furnaces is being used over again.

Owing to the fact that the banks work together, and to their being linked up with the industrial and

[1] On the subject of the success and the failure of their many state loans see the notable study from the pen of M. Lucien Hubert, *La Puissance financière de l'Allemagne*, in the *Revue Hebdomadaire*, Paris, November 5th, 1910.

trading companies, they hold the paper of the latter in common. Their mutual understandings are not publicly known. The seeming rivalry between the Deutsche Bank and the Diskonto-Gesellschaft on the petroleum question in 1913 meant nothing. In each of the big banks there is an inner sanctuary, the "Consortialbureau," into which only the few great chiefs to whom the inner secrets are known (not even all the directors) may enter.

There secret financing is done, combinations of interests are developed, and gigantic mutual undertakings entered upon.

Each guarantees the other's paper, and all is well so long as the confidence of the public is not shaken, and it is essential that this confidence should be kept up by prestige: prestige of the state and of the army, the prestige which comes of dividends, the prestige of activity and increasing output.

How have the many crises which have followed one upon the other during the last fifteen years been surmounted? By just this solidarity and intricate commingling of interests among the banks. If I may so put it, their roots do not grow in the soil, they just adhere to it, but they adhere over a vast area; linked together they cover the whole ground, and when a landslide threatens, throw in their cumulative weight to arrest it.

Take an example of this circulation of paper. In order to raise a war loan, the Empire set up a lend-

ing bank (Darlehnskasse) which, in exchange for securities of industrial and other companies, made advances in the form of bonds to 60% of their value. The loan could be subscribed for with these bonds. That was all very well as an extreme measure within the state itself, but how about foreign payments? Economists tell us of Gresham's law: bad money drives out good.

The Reichsbank itself, head of the whole banking system, which governs it by discounting the paper of all the other banks, includes as part of the gold reserve, Treasury bonds, and since August 7th, 1914, the bonds of the above-mentioned Government lending bank (Darlehnskasse).[1]

Thus its cover in gold and silver is watered by a varying quantity of paper, amounting on the 31st December, 1914, to 875,000,000 marks, and on the 14th of January, 1915, to 414,000,000, which is the security for notes in circulation. Let us examine more closely, and we shall see something else.

The great banks have drained Germany of her savings, have ruined or absorbed the small provincial banker.

They have also accumulated as much foreign capital as possible—that is natural.

They have made issues of securities which exceed

[1] I am indebted to one of my colleagues of the Ecole des Sciences commerciales de l'Université de Lausanne for this interesting information. See also *Journal des Economistes*, July 15th, 1914, p. 70, the article by Schwarzwald, translated by M. Raffalovitch.

greatly the money awaiting investment—that is foolhardy.

What becomes of the state securities or the stock held in industrial companies which have not been taken up? Can they be juggled with among the "Consortialbureaux" in such a way that if one is overstocked with industrial stock, it can exchange its surplus for state securities, and vice versa? We have not been told, we are not told now, and we shall not be told. Nevertheless, what does become of this paper pending the time when it can be liquidated?

Consider the figures: the capital invested in trading and manufacturing companies annually amounted from 1885 to 1889 to an average of 1,770,000,000 francs; from 1890 to 1895 of 1,880,000,000; from 1896 to 1900 of 2,384,000,000, or more than 30 milliards (£1,200,000,000) in sixteen years, not to speak of the repeated loans offered for subscription by the various states!

These issues are mainly taken up by the public, which is attracted by the promise of big dividends, and go to increase the scope and productive power of the issuing companies; in other words, the money is lent on credit to the traders and manufacturers.

Well, is that the real state of the case? In part it is, and in part not. Just as more securities are issued than are represented by the money subscribed, so the banks give more credit than they receive securities for; and this is a systematic practice.

In all countries it happens at times that more credit is given than is covered by securities deposited, but it is the exception.

These unsecured loans are, in German banks, distributed over several ledgers. A bank opens an account of, say, 10,000 marks with a customer, but the customer is permitted to draw up to, say, 20,000. Look at the accounts rendered by any of the branches of some great bank to the head office, and you will see the heading: *Blanco und gedeckter Kredit*, "over-draft and current account." These two forms of credit are, for good reasons, treated as consolidated into one.

Then you will find "Trassierungskredit" and "Saisonskredit." What does that mean? It means that a borrower comes to the bank. The bank does not give him cash, but instead, allows him to draw a bill, which the bank accepts, which bill is to be met on maturity. The borrower then gets this bill discounted by another bank, which will present it for payment to the first bank. The second bank makes payment to the borrower in the shape of a credit balance on which he can draw by cheque. That is "Trassierungskredit," or a credit given without deposit of cash or security.[1]

[1] In England described as an accommodation bill transaction. This system of accommodation bills is common, I am told, more or less, all over the world, mainly between men on the verge of financial disaster, but is it anywhere to be found except in Germany as representing everyday banking business?

"Saisonskredit" is of much the same kind. It is a loan account granted to merchants for the purchase of such stock as is only saleable at certain definite times of the year, such as articles of fashion, furs, ladies' hats and clothes.

To understand how these loans are manipulated it is necessary to be acquainted, not only with the balance sheet and debit and credit account of a bank, but with its ledgers, showing the balance to credit of each borrower, and the private agreements under which each is doing business with the bank. But I can give one illuminating example. The official return of all loans made by a single country branch of one of the largest banks in Germany amounted over a period of one year to 8,305,000 marks, of which 6,693,000 marks were secured, 1,612,000 unsecured, or, in other words, there was no security to show for 25% of the loans made.[1]

Indeed, it is not even paper which is in circulation, not even shares in over-capitalised undertakings. It is nothing other, in fact, than a vast number of debts that are in circulation—an amazing spectacle indeed—wholesale indebtedness, vastly inflated and converted into currency.

And what magic wand is it that makes this state of affairs possible? Again it is prestige.

The Reichsbank, which issues the Government

[1] These figures may hardly seem believable, but I have myself seen its statement of accounts.

loans, discounts the paper of the other banks, and by fixing the discount rates is in a position to encourage or to check operations.

It controls the money market, for the banks, in spite of the competition existing amongst them, form by their combinations one with another, by the inextricable intricacy of their system of loans, a giant organism which feeds upon its very self.[1]

And thus Germany got rich. In two years, in Prussia, the taxes imposed on incomes above 3000 marks rose from 6,775,000,000 marks to 7,841,000,000. Savings-bank deposits reach a sum of eight thousand million marks, or more than double those of France.[2]

So people get rich on issues of capital in industrials which exceed the amount which the country can absorb, Government loans without end which the market can with difficulty take up, capital locked up in development works, in plant which must constantly be renewed, and on loans without

[1] This is still going on during the war. I have already described how the first war loan was raised. The second was floated as follows : A holder of first war loan pays two hundred marks and has eight hundred lent him on the security of his first, so that he may take up a thousand of the second. In other words, it is a mere exchange of paper ; the state lends its creditors the money which it borrows from them.

[2] Maurice Lair, *L'Imperialism allemand*, 2nd edition, Paris, 1909. Also on all these matters it is well to refer to the two important books by G. Blondel, *L'Essor industriel et commercial du Peuple Allemand*, 3rd edition, Paris, 1900, and *Les Embarras de l'Allemagne*, Paris, 1912.

security! Well, some people get rich. Which are they? and what do the rest think of it all? On what foundation is such a system built? Who pays in the end?—Somebody must pay.

Is it by chance, to use a simile, that the only way to caulk one leak was to spring another? On what did, I do not say the success, but the perpetuation of this system, depend? Was it essential to look beyond the borders for a nation which could be taxed and made to suffer in the interests of Germany, because the country could do no more? Was time short? And had Weltpolitik, the policy of universal economic conquest, after having intoxicated the Emperor, his ministers and his people, brought them to such a pass that war was the lesser of two evils?

Was it that the day of reckoning of the cost of peaceful conquest was not so far off as had been planned, and was the necessity for meeting it drawing near, if not indeed at hand? Was it seen that delay would be fatal?

5. The Obstacles in Her Path

Let us consider the facts which I have stated together. It is not easy to sum up the state of affairs of a great nation, but one may consider the problem within certain circumscribed limits, and

I propose to confine myself to seeking the answers to three questions :—

1. What are the main characteristics of the economic organisation which Germany has adopted ?

2. What was it which led her to adopt the policy which she has adopted ?

3. Has she been able to comply with the conditions which have, by its adoption, become necessary?

Everyone is agreed as to the first. The economic organisation of Germany is a policy of conquest. By reason of this policy her trade and manufacture are closely dependent on one another, and both are dependent on the banks. Of late years there has been a new and well-marked tendency towards industrial combination. In the first place, the trade associations and combinations of various kinds make it their endeavour to control all the output and by-products of a trade, such, for instance, as finished iron. In the second place, and in greater degree, they endeavour to be independent of those who supply the raw material, and of the middlemen whose business it is to sell the finished articles. Thus, for instance, the steel manufacturers buy up collieries, colliery proprietors strive to get foundries and ironworks established alongside their pits. It is a battle of mastodons, but a battle with the result that industrial combination goes on without mercy. Further, the manufacturers have become so powerful that they can dictate their own terms to the

merchants; in other words, they also control trade, thanks to their control of the sale of their manufactures. They have central offices which fix the price at which the brokers shall sell iron, the amount they may put on the market, and the markets in which they may trade. The brokers are bound to show them their account books if required to do so.

A merchant in Lausanne may not sell a ton of iron to a purchaser in Evian, Evian not being in his district; he may only sell such quantity as is allotted to him under penalty of having any excess amount awarded to his competitor, and he may only sell at a price fixed for him. Should he decline to be bound hand and foot to the Centralverbund of Düsseldorf his fate is sealed; no more goods will be delivered to him, and he must face ruin. Further, he has to take delivery at whatever time it suits, not him, but his masters.

At the same time that he aims at seizing all raw materials and controlling trade, the manufacturer rounds on the banks on whose help he has so long depended, and with whom he still cannot do without, by setting up his own financial houses, who issue his stock, and by buying up bonds and shares, acquires interests in other industries. In this way he acquires very extensive interests, and there accrues a common purpose among the various manufacturing concerns which is at once a source of strength and of danger.

Would the banks be willing to see themselves in the end deprived of one at least of their activities, and that one of the most valuable ? Would they be content to be limited to issuing Government loans, and to the business of discounting bills, and of lending money on mortgages ? A struggle between the great banks and the great manufacturing industries would be one of the most remarkable and most absorbing in all modern economic history.

The organising of output became in due course international, and from that moment it was not only the retailer who was tied hand and foot, but the consumer. Take as an example the Europäische Petroleum Union of Bremen ; a joint business formed in 1906 of the British Petroleum Company and the German Company for the sale of petroleum, with the object of fighting the American Standard Oil Trust. Each of the allied businesses includes distributing companies and financial concerns in Germany, Austria, Denmark, Switzerland, Belgium, Holland and England, and behind all stand the Wiener Bank and the Deutsche Bank ; only, instead of entering into active competition with the American Trust, a working agreement was come to : contracts were entered into with the distributing companies of the Trust in Europe, and thus arose the Europäische Petroleum Union, with offices in Bremen. In the same way the chief electrical manufacturing concerns have companies which they control in many countries, and acquire busi-

nesses in any way related to their own, such as works engaged in the manufacture of machinery, india-rubber, cables, iron wire, copper, aluminium and chemicals.

So we see the system spreading over the whole world, and it has for its policy conquest. No longer is it a case of live and let live. Competition must be strangled, or got rid of by agreement. What I have indicated is sufficient to show that ; it would be still clearer had I space to go into the question in greater detail. For example, I would instance, among other methods, that of the " Exklusivvertrag," or exclusive agreement, under which buyers may only purchase from members of the " *Kartel* " ; producers of raw materials sell only to members of the " *Kartel*," or, again, an agreement to sell at a higher figure to all who are not members of the " *Kartel*." Further, the " *Kartels* " fix the amount of the bonus on exports (ausfuhrvergütungen), which is to hold among their members, which must not be confounded with the bonuses on imported goods granted by the state.[1]

No sooner is a district or trade won than economic slavery is organised, and the consumer and retailer can do no other than submit to it.

In the case of iron, the Centralverbund of Düsseldorf controls the sale by merchants in Germany, Austria, Switzerland, Belgium and France, but no

[1] Professor Liefmann, of Fribourg, gives much information in regard to these matters in his book on Kartels and Trusts.

one may penetrate into the secrets of its ledgers, and its profits can only be approximately estimated at 13% or 14%.

That is what is called economic organisation, and it is the task to which Germany has, for the past twenty years, directed all her national and individual efforts. What resistance can be offered? The consumer is helpless. In the first place public opinion has not been awakened, for the wheels of the great machine are hidden; the public is only aware of local trading companies with, for the most part, every appearance of being native to the country. The eyes and the tentacles of the octopus are at Bremen, at Düsseldorf and at Berlin; the tentacles, armed with innumerable suckers, reach out to Asia Minor, by way of Constantinople and Salonica; to Petrograd, Paris and Barcelona; they threaten London, through Rotterdam and Antwerp, stretch across Switzerland into Italy; extend over the Atlantic and South America, embrace Chili, spread out over Brazil, the Argentine and Mexico, and in another direction to the Indian Ocean and the China seas, and fix themselves firmly on the Far Eastern strands.

A methodical, bloodthirsty, universal warfare which Germany was nevertheless unable to conduct to her complete satisfaction.

If, in economic warfare, as in real warfare, one can cast one's bounden duties and all scruples to the winds, there yet exist natural obstacles which

cannot be eluded. The nature of these obstacles depends, in great part, on the tactics adopted, and that is why I have described the means employed by Germany to master the trade of the world.

A general who advances too far from his base must face an action before he has used up all his munitions and provisions. If he attacks he will endeavour to hustle his adversary and give him no time to call up reinforcements. It is the same thing if one sets out to conquer the world in the manner I have described. Certain conditions must be fulfilled. What are they ?

The most important, one would imagine, is that of time, or rather, one must take into account two —continuity and continuance. The first implies the need, not only of continuous, but constantly increasing output. The second the need to dominate the chief markets of Europe, and even beyond Europe : to control distribution and prices, and to reach that position within a given time.

Let us consider first the one, then the other.

Why must the rate of production be constantly increased ? Because from the start it has been calculated on a basis far in excess of the market's power of absorption—a reversal of the sound principles in which we were instructed in our youth. All the aspects of the vast organisation which I have described prove this.

The producer binding down the consumer, controlling trade, and finally dominating finance ;

production becoming the aim and object and the chief duty of a powerful nation. Production, not regulated to meet the known requirements of the market ; but a constant striving after new markets, creation of new markets, and seizure by cunning or by force of existing markets, in order to find outlets for floods of over-production. A huge amount of capital, borrowed capital, is locked up in construction work, in factories, in warehouses, in docks and in machinery. That capital may well be termed "stationary." The other, or floating capital, which is constantly being turned over, takes the form of raw material, and the work of converting it into the finished article.

Once speed of production slackens the interest on "stationary" capital is threatened, for such capital has no value other than that which it produces. Of what value is a factory which cannot turn out work ? Conversely, if manufactured goods accumulate in the warehouses, floating capital is threatened. Storage charges mount up, whilst the cost of the raw material and of wages remains the same.

Stock, as it accumulates, must be sold off,—and therefore competition must be strangled,—and to that end it must be sold cheap and in quantity. The markets must be swamped with it, so that the adversary may have nowhere to turn ; and to effect that, production must be still further increased.

One of the largest manufacturers of Frankfurt-

on-the-Maine, a prince of aniline-dye makers, remarked a short while ago to an Italian manufacturer: "I would sell at a loss for ten years rather than lose the Italian market, and if need be I would throw in all that I have made in the past." Excellent, no doubt, if things were not in fact working in a vicious circle.

Moreover, one can no longer choose whether to slow down or increase the speed of production, when a whole great nation has been made to undergo a veritable social upheaval, and in one generation has reduced its agricultural population by one-half, while throwing ten millions of its people into manufacture and trade.

This crowd of industrial workers must not be left in the lurch, and at all costs work must be found for it, and money to pay its wages.

Lastly, and this is the motive most often pleaded, though it is clear that it is not by any means the only one, by export of goods and by overseas trade alone can the Germans keep the rate of exchange level and pay for the goods they import in excess of those they export.

It is essential to their manufactures that they should import raw material, more still is it essential to import food-stuffs, since they are able only to produce food for 80% or 85% of their people, and 15% or 16% must be obtained from abroad.

So much for continuity. Now let us consider the question of continuance.

Can production be indefinitely increased? Yes, so long as new and lucrative markets can be found. No, if the finding of new markets means continual and continued sacrifice. The sacrifices may be such as to make it essential to succeed without delay.

Take such a case as this: Vast expansion of trade over the whole world, but with it a rise in prices on the home market. Would not a time come when it would be impossible to maintain the difference in prices between the home and the foreign market? How could the difficulty be got over without destroying the export trade? Only by seeking markets in which there would be little competition, or making an end of competition, crushing one's rivals and becoming masters of the situation, and therefore in a position to raise prices to a figure which should not only be profitable, but highly remunerative.

Germany had got so far in the direction of economic conquest that she could neither draw back nor even go slow. It is not enough to say, as people often said before the war, and many times since, that her economic crises were due to growth. If so, her case would only be that of England and the United States, the other great industrial nations. Hers is quite different. She has laid herself out to dominate the world's trade, to corner raw material, to regulate output and prices.

Well, her economic policy has gone back on her. The main fact, the essential fact, whose meaning

must be clearly grasped, is this: the conditions under which she started upon her trade campaign do not permit of a prolonged struggle. Facts prove it. Only by raising prices at home have the mine owners, iron, electrical and other manufacturers been able to keep their prices down on foreign markets, and although this does not altogether apply to certain of the chemical trades, notably the colour trade, which they have held firmly for a long time, yet they have to watch unceasingly lest foreign manufacture should threaten their pre-eminence, or even shake itself free of their control.[1]

Those who stand up for the "Kartel" system claim that the object is to level prices in the interests of buyers everywhere, and to prevent fluctuations;

[1] M. Lombardi, an Italian engineer, calls attention to the following characteristic fact: Near Milan in particular there are big calico printing works. Italian firms which use aniline dyes were getting to the end of their supplies. They are dependent on Germany for their fresh supplies of dye. The German Government would only permit of export if imports were to be received in exchange, but the commission appointed to arrange matters bargained and bargained, and made delay after delay. The exchange which Germany sought was Italian neutrality in the war, but the Italians preferred to shut down rather than be parties to such pressure.

Switzerland and other countries too may see in that an example of how easily economic control may become political domination.

According to information received, in April Germany allowed eighty tons of aniline dye to be exported to Italy. I could not ascertain what had been sent to Germany in exchange. Finally I learned in May that the eighty tons had never been delivered. There was every appearance of intention to deliver, but they were in the end held up!

but it is in fact a general levelling up of prices which leads to increased cost of living. This has been much contested in Germany. Yet if to import duties one adds abolition of all competition it is clear that living must become dearer.

However, we may dispense with deductive reasoning; we need only compare the rise which has taken place in wages with the cost of food-stuffs.

It is among colliers that wages have risen most steadily since 1890, and Mr. V. Tyszka has based a calculation upon a family of colliers in the Dortmund district. He finds that the average for the German Empire was 826 marks per annum per head in that year, in 1900 it had risen to 1000 marks, and in 1913 to 1505 marks.[1]

In comparing the curve representing wages with that representing prices we find that, taking for comparison the wages paid in 1900 and the cost of living in the same year, and indicating each by 100, the following have been the figures up to 1912 :—[2]

Year.	Wages Paid.	Cost of Living.
1900	100	100
1905	93·8	106·7
1910	104·1	121·2
1911	107·6	127·0
1912	116·7	135·2

[1] See Giulio Fenoglio, *La Germania economica* in *Revista della Societa commerciali* of January 31st, 1915, in which he quotes official German statistics.

[2] *Ibidem.*

Certainly wages, except in 1905, have risen steadily, but the cost of living has risen in far greater proportion. The comparison is more striking still if to cost of living one adds rent.

Can anyone claim that that is not a direct result of industrial combination, coupled with tariffs on imports ? If so, one more example :—

For the past twenty years there has been the same general movement in prices throughout Europe—a general rise up to the year 1890, then a fall until the lowest point was reached in 1896, after which a rise, at first irregular, and then rapid, until the present day.

But the rise has been much less in France and in England than in Germany.

Take 100 as the average price of the principal articles of merchandise over the period 1890–1899 and we find :—

	1890–1899.	1900–1909.	1910.	1911.
In Germany ..	100	118	128	139
In England ..	100	111	118	122

If we distinguish between food-stuffs and raw materials for manufacture and apply the figure 100 as representing the average price of the former for the years 1899–1900 we find :—

	1900–1909.	1910.	1911.
Germany ..	108	125	142
England ..	101	108	114

Can any doubt remain ?

On whom falls the weight of this increased cost of living ?

First upon the working class and on manufacturers who have to buy raw materials, but above all on the trading classes and small farmers. For some years there have been signs of increasing discontent among the rural population, which has formed itself into a powerful organisation, the Bauernbund, or union of small landowners, in order to protect its interests in face of that of the titled landed class, which has its " Bund der Landwirte."

In other words, it is the clientele of the feudal class which is not only becoming emancipated from, but combining against it. The agriculturist does not suffer from the rise in prices, for he is a seller ; the small countryman has little to sell, he lives by what his plot produces, and in bad years has to buy, and that at no small price, and he is poor ; 1910, a wet year, and 1911, a year of drought, were disastrous to him.

In one year the price of potatoes in Berlin rose from 3 marks to 3 marks 50 ; of haricot beans from 12 to 18, of turnips from 3 to 12 and even 15 marks per quintal.[1]

During one generation the rise in the price of beef has amounted to 53·6%, of veal 72·9%, and of pork 41·9%.

[1] See Blondel, *Les Embarras de l'Allemagne*, Chapters V. and VI., drawn from reports presented to the Reichstag and statistics of the various chambers of commerce.

To realise what these figures mean one must bear in mind that what man requires is largely a question of what tastes he has developed. For instance, in 1887–1888 Germany consumed at the rate of 8·4 kilos of sugar per head, in 1912–1913 19·2 kilos. Germany has acquired a taste for sugar, and above all for meat, of which in 1912 she consumed 49·5 kilos, and even 52 kilos counting imported meat, per head.

The disparity between the rise in cost of living and wages becomes the more appreciable as a nation grows more and more to look for comforts and the good things of this life.

It would take many pages to describe the change in habits of life and the slackening of the bonds of physical and material restraint which are characteristic of the past twenty years in Germany ; even the lower classes have become accustomed to a life of greater leisure and greater ease, and have learned to insist on it.

Germany could defy the masses, whether town or country, with the army behind her ; and, moreover, no rising, no disturbance even threatened, yet the Opposition won seven and a half million votes at the 1912 election, as against four and a half millions given on behalf of the parties which support the Government.

The socialists won 110 seats in the Reichstag, taking the Opposition parties as a whole 202 seats, which gave them a majority as a result ; although

no internal trouble was feared a time of serious difficulty was expected to follow consequent upon the expiration in 1917 of the treaties of commerce.

Was there more cause for satisfaction abroad, for in that direction the nation was making its great effort ?

Her whole industrial, commercial and financial organisation, in which each depends so vitally upon the other, was directed to the capture of the foreign market, and that could not be abandoned without the certainty of an appalling crisis.

A superficial consideration of the figures might well lead us to think that she had succeeded in her ambition. Her turnover has actually increased by six times in forty years. Her share in the world's trade in 1870 was 3 milliards of marks, in 1890 8 milliards, and in 1910 18 milliards, or in terms of percentage 7%, then 10%, then 12%.

From 1897 to 1911 the numbers of her mercantile marine, an essential factor in international trade, rose from 8% to 11% of the non-subsidised fleets of the world, and such fleets represent 70% of the world's trading ships.

From 1870 to 1911 German exports rose from 1,300 to 8,100 millions of marks, and these exports are mainly placed in Europe.

Germany has largely conquered the European market.

In 1900 her exports to the rest of Europe already exceeded those of England, the proportion being

3,700 million marks against 3,100 millions. Germany's exports to the rest of Europe had risen from 3,700 to 6,100 millions of marks and England's from 3,100 to 4,500.

She approaches England's output of coal, producing 20% to England's 26% of the world's supply ; she surpasses England in that of iron, her share being 20% and England's 18%.

Were these not favourable signs ?

6. Why Germany was Alarmed

Why should there be so much anxiety among the great manufacturers and mine owners, why has such nervousness and almost feverish restlessness possessed Germany during the last few years ?

It is that if we look again we shall see things which will negative our first impressions.

One may fall behind a little and yet be going forward, go forward less far, and yet go forward ; and that is Germany's condition since 1905. Why ? Well, it is partly due to the very operation of trade conquest by Germany, and partly to the revival of national feeling which has in all countries characterised the opening years of the twentieth century.

In the first place Germany's protective policy brought about a reaction among her neighbours.

Russia, in the period 1882 to 1890, raised her duties, Austria and France did the same, and in 1890 the United States established the famous McKinley tariffs; then followed the British Colonies, and Germany suffered heavily in her tariff war with Russia in 1893 and 1894, and no sooner was she recovered from this than Canada, in 1895, established preferential rates with England.

So Germany entered on a foolhardy system of reprisals, and Canada countered by putting a tax on German goods.

Count Caprivi was obliged to drop Bismarck's policy and to engineer (1892–1894) a series of treaties on the basis of low tariffs with Austria-Hungary, Italy, Switzerland and Belgium.

But the pendulum had swung to its highest, and even from 1892 to 1903, the years of her most dazzling prosperity, Germany began to experience, now here, now there, and all the time increasingly, the challenge of those nations which had hitherto welcomed and admired her.

In 1900 a new Chancellor took the reins, and Count Bülow's 1902–1906 tariffs were the outcome of a specific alliance between the agrarian class and the protectionist manufacturers; and from that moment tariff war had come to stay, not only as an item among treaty clauses, but as a fact borne out by the harshness with which it was enforced.

Into this story, so full of picturesque episodes, I cannot enter. It was in Franco-German trade

dealings that the most remarkable state of things was revealed.[1]

There is an article in the Treaty of Frankfurt assuring by each to each most favoured nation treatment, and the two countries vied with each other in guile, the French provoked the Germans with irritating enactments, the Germans retorted with academic politeness.

In order to favour Swiss cattle rather than French, the former were included in a special category, consisting of those reared at an altitude of 300 metres and having brown heads and tails. Again, a law would be passed in the Empire which one would almost be tempted to look upon as official sanction to a fraud, did one not sympathise with the Germans' marked taste for burgundy and claret.

A German importer of French wines has the right to add 49% of some other wine without altering the French name showing where the wine comes from. Though this may only be done once, and he must, if the purchaser requires, state the fact, the wine merchant takes good care not to ask questions when he himself means to repeat the process.

The Germans, moreover, artificially savour wines with the flavour of Chambertin and other of the finest brands, and a certain big house in Mayence supplies chemically prepared bouquets to make

[1] See the investigations which M. Ajam, a French deputy, made in Germany just before war broke out.

good the loss by dilution—bouquets stronger than nature produces. Bordeaux cannot do that! As to sweetness——!

In addition to the tariff war one result of German economic policy has been to favour re-exportation, and even the development of certain manufactures in the conquered territory.

I have elsewhere cited the case of the retired Rotterdam merchant who spent his fortune in buying German steel plate, built ships with it and sold them back at a big profit to the Germans themselves—so expensive are steel plates to buy in Germany compared with their price abroad, notwithstanding freight charges and customs duties.

That is what *dumping* leads to. The instance I have quoted is not an exceptional case, and it goes to show why the campaign against dumping, so rigorously organised in England when Joseph Chamberlain was in office, was very quickly succeeded by a period of indifference.

Germany's peaceful penetration and foreign investments of capital have been very useful to her. By these means she established her manufacturing businesses in Russia, though Russia has shown signs of throwing off the yoke.

She often claims that Italy's splendid industrial revival is solely due to her, though such a claim is, to say the least, a very exaggerated one; and her seizure, or partially successful effort at seizure of the trade of the peninsula, can have in no way

contributed in the sense that Germany claims, to the reawakening of the Italian patriotic spirit called Nationalism. The truth is that Italy opened her arms to Germany—economically—after her quarrel with France, following upon the French military occupation of Tunis.

That was in the days of the policy of the open door, when the views of Signor Ellena carried weight, and the famous doctrine of " natural products," for which Signor Einandi is still breaking lances, came into prominence. An industry is " natural," according to this doctrine, when the raw articles upon which it depends are native to the country, and only a " natural " industry is worthy of consideration. Well, under such a doctrine, what would become of the Belgians who have oil, but no iron ore ; the French who have iron, but no oil ; and the Swiss who have neither, but instead water power and perchance something of energy and intelligence ?

The theory of natural products guarantees neither the liberty nor the security of the world. It merely induces those who are sufficiently strong to take possession of countries possessing natural riches in order to exploit them, and it is something very similar to this that has been going on under our eyes. Therefore a smart reaction against German aggression was observable. It is not easy to say just when it began, but the first years of the twentieth century saw the beginnings. It counted

for a good deal in England, with Mr. Chamberlain in office, because of his policy of protection, in spite of the fact that he proclaimed himself in favour of an understanding with Germany.

France was perhaps the last to take alarm, if she indeed actually did so. She did not fail to take note of Germany's economic growth, but it did not appear to her to be a danger. She rather saw in it a guarantee of safety and peace. M. Raphaël-Georges Levy came to that conclusion in the year 1898 as set out in his writings.[1]

The fact is that France had too few commercial dealings with her great neighbour to be much concerned with her sudden commercial expansion.

She did not put herself on her guard until the dramatic Tangier incident, when she realised the menace to her peace and the military preparations behind it.

There the Germans saw themselves thwarted, their adventure seriously checked, as much as a result of their own conduct as of the change of feeling which they had provoked.

Added to this were other factors which combined to make them more sensitive, and threatened their whole endeavour. The more vital of these factors was the prodigious economic development and competition of the United States ; yet that danger

[1] Raphaël-Georges Levy, in the *Revue des deux Mondes*, 1898, *L'Industrie Allemande* (February 15th), *Le Commerce Allemand* (April 15th).

was one of the future; the immediate danger was England's competition, because England competed with her on the European markets.

But how could England be dangerous to Germany's ambition since the latter had already got the better of her? Some Englishmen claimed that it was a delusion, but the majority believed it, and then it was that they began to put forward all their energies and to give evidence of all the resourcefulness of a race which has never been so great as in times of adversity.

They set themselves to study the applications of science, they brought their plant and machinery up to date, they expanded and developed their systems of commercial intelligence.

Of rivalry between her and Germany the world knows little except as regards competition in naval construction, but it does know, and it is clear enough to-day, that Germany is the under dog.

The same position has been hers, in the matter of trade rivalry also, if all the conditions are considered. Actually Germany has given way in no foreign market, but relatively her progress has been slower than that of England.

The export trade for both countries for the periods 1890–1903 and 1904–1908 in terms of millions of pounds sterling are :—

	1890–1903.	1904–1908.	Increase.
Germany ..	225	300	75
England ..	282	361	79

Now 25% of England's trade during the above periods consists of goods in regard to which the fact of re-exportation is not taken into account, and to this must be added shipbuilding and mercantile freights. A large amount of the German export trade is carried by English ships, and in this respect, one of the most important, England has won back her advantage in a very marked manner.

It is useful to calculate the increase in exports per head of population in order to judge of the effect produced upon the general conditions of living. From 1903 to 1910 the English export trade rose from £5 10s. 6d. to £7 10s. 11d. per head of population, whilst during the same period it rose in Germany from £2 14s. 10d. to only £3 15s. 2d.

Thus we see that Germany's victorious progress became distinctly slower as soon as her command of European markets began to give cause for anxiety abroad, and brought about the revival of the keen competition of which I have spoken above.[1]

That indeed explains the press campaign in Germany, the violent and endless accusations and abuse levelled at England. Germany thought to undermine the foundations of British power; she found Britain still as unshakable as of old; but thenceforth warned, suspicious and on her guard.

A still more serious difficulty threatened.

[1] In spite of the Balkan war England's progress received no check in 1913, her foreign trade reaching 35 milliards 104 millions more or less (1911, 21 milliards). *The Economist*, February 21st, 1914, p. 414.

The Imperial dream, the dream of the German Empire since 1899, had been to be in a position to compensate for any slackening or stoppage of its activities on the European market, and more especially on markets outside Europe, should such occur, by the acquisition of vast outlets in an immense country, once wealthy, rich in natural products, with promise of a glorious future—probably for time without end—by laying hands on nearer Asia, from Konia to Bagdad, from Bagdad to Bussrah and the Persian Gulf.

On that side at least they would not run up against a brick wall.

They had only to obtain a preponderating influence over the Balkan nations, and that should be Austria's job, Germany herself would see to getting what she wanted, amounting indeed to complete submission from the Sultan of Turkey. She would sit by the bedside of the sick man of Europe and lie in wait to secure his heritage, then by way of Albania and Salonica she would reach the Ægean Sea and open up Mesopotamia by means of railroads which Germany would control and the Turks should pay for. What a grandiose perspective !

In that direction, in 1903, success seemed within her grasp. A German company set to work to lay the Haidar-Pascha to Konia and Angora railroad : a final concession for the Bagdad railway was granted on March 5th, 1903, to Herr Gwinner, of the Deutsche Bank, and to the German Anatolian

Railway Company, with interest guaranteed at 17·5 francs per kilometre per annum. But Germany could not find the money, and it was necessary to suggest to France and England the floating of a syndicate. France would have agreed, but the opposition of England and Russia put a stop to it.

The German Company found itself incapable of starting work.

At the same time England strengthened her hold on the Persian Gulf at the place decided upon as the railway terminus.

Next, in 1907, England and Russia agreed between themselves as to the zones of influence which each should have in Persia, and undertook to build a trans-Persian railroad running parallel with the Bagdad-Bussrah line, linking up with Central Europe by way of Batoum, and with India by way of Chabriz.

Germany realised that she must hurry things forward at all costs, when suddenly the Balkan League was formed against Turkey. Salonica fell into the hands of Greece; Servia was seeking a way to the Adriatic and was also blocking the road. Servia yielded to threats, but the Treaty of Bucharest left her larger than before, firmly resting, as it seemed, on Greece on the one hand and Roumania on the other.

What would happen if she had time to pull herself together, to establish herself firmly?

We know from Signor Giolitti's revelations that the Central European allies wanted war in 1913,

a whole year before the assassination of the Archduke, heir to the Austrian throne, at Sarajevo, which was the pretext they seized upon for the war of 1914.

Already in 1913 things were going badly. In view of the fact that the time for renewal of the commercial treaties would fall due in 1917, Russia openly announced her intention of revoking the advantageous terms accorded to Germany by Count Witte after the Manchurian war.

Germany would no longer be able to send corn into Russia duty free, and with the assistance of her famous bonuses on exports undersell the Russian corn-growers on their own markets; and, moreover, it was universally agreed that this clause in the treaty had been one of the chief factors in the agricultural prosperity of the eastern districts of Germany.

Not only was a set-back to agriculture threatened, but it might even be ruined if the Russian Government put into force its decision to forbid the emigration of 250,000 Polish labourers who went across the border each year to cultivate the German soil and returned to their Russian homes for the winter. Thanks to these very labourers Germany was able to flood the Russian market with farm produce cultivated by Russians in Germany. To keep them away was to pass sentence of death on German agriculture.[1]

[1] These workpeople were taken unawares whilst in Germany by the declaration of war. It is they and the people deported

The land would have to lie fallow. There would be no farm produce, no home-grown supplies. Germany would have to rely entirely on imports from abroad, without having, as England has, command of the sea.

Prophets of ill-omen became more numerous. They pictured with consternation the exhaustion of iron ore in the mines of Germany and Luxembourg. They explained that in 1940 the mineral resources of Luxembourg would be exhausted ; that by 1950 Germany would produce no more iron ore, whereas the Briey district, opened up soon after 1880, would ensure a brilliant future for the French ironmasters.

If the French were to put permanent difficulties in the way of the exchange of their iron for Germany's coal, what would become of business in the Rhine provinces, in Westphalia and Silesia.

Millions of hands would be thrown on the streets ; there would follow a commercial catastrophe without parallel.

That is the fearful nightmare with which this powerful country was beginning to be haunted in the midst of her prosperity and whilst at the acme of her power.

Is it necessary to draw conclusions ?

Threatened by no one, Germany felt herself

from the invaded provinces who are at present employed in doubling the amount of land under corn and potatoes. In this way Germany has for the time being solved the problem of how to obtain practically unpaid labour.

menaced on all sides. She claimed to be fighting for very existence, and she spoke truth. Her manufacturers, financiers and statesmen had dragged her so deeply and by such methods into a war of economic conquest that she could not withdraw. The methods employed were now working against her.

Without having entirely miscarried, victory was clearly beyond her grasp. Must she wait the inevitable crash, the stoppage of trade, the downfall of her credit, the misery which must overwhelm her people, and the fury which would perhaps possess them in consequence ?

Would not such a state of things make war inevitable sooner or later, and was it not better to make war whilst there was most likelihood of its ending rapidly and victoriously in her favour ?

And then, the war won, would not justice be on the side of the victor, as Maximilian Harden has said ?

What followed is common knowledge.

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